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ELEMENTS

OF

POLITICAL ECONOMY.

BY FRANCIS WAYLAND, D.D.
President of Brown University, and Professor of Moral Philosophy.

ABRIDGED AND ADAPTED TO THE USE OF SCHOOLS AND ACADEMIES, BY THE AUTHOR.

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PREFACE.

The success which has attended the abridgment of "The Elements of Moral Science," has induced the author to prepare the following abridgment of "The Elements of Political Economy." In this case, as in the other, the work has been wholly re-written, and an attempt has been made to adapt it to the attainments of youth.

It is not, however, probable, that the present work can be studied with advantage at as early an age as a treatise on morals. We are capable of judging of right and wrong at a very early age, and, therefore, at a very early age, the principles of morals may be inculcated. With Political Economy, however, it is otherwise. Here the elements are more or less blended with the social principles of man, and they are not readily understood without some practical acquaintance with the social constitution, and a habit of generalization which can only be the result of some degree of observation and experience.

While, however, this is admitted, the author has thought that there might yet be found a large

class of persons to whom a work of this kind might prove useful. Such are the more advanced students of both sexes in our High Schools and Academies, many of whom leave these seminaries to enter immediately upon the active duties of life. While most of these are entirely capable of understanding the principles of Political Economy, the time allotted to their education would scarcely allow of their attention to a larger volume. To such persons, it has seemed to the author, that a succinct view of the laws which regulate the acquisition of wealth, might be of material service. The knowledge which would thus be acquired, and the habits of generalization to which such a study must lead, could scarcely fail to confer some degree of skill in forming opinions upon many of those practical questions which meet a man at every moment in the scenes of every day life. It is for the benefit of such persons that the present work has been prepared for the press, and it is in the hope that it may be useful to them, that it is now offered to the public.

BROWN UNIVERSITY, *Oct.*, 1837.

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ELEMENTS

OF

POLITICAL ECONOMY.

INTRODUCTION.

DEFINITIONS AND DIVISION OF THE SUBJECT.

Political Economy is the science which teaches the manner in which nations and individuals acquire wealth.

Wealth is any thing which is capable of gratifying our desires, and of procuring for us, by exchange, some other object of gratification. Some objects are capable of gratifying our desires, but are incapable of procuring for us any other objects in exchange. Such are air, the light of the sun, and, commonly, water. Others are capable, not only of gratifying our desires, but, of procuring for us other objects in exchange. Such are fuel, cloth, salt, wheat, iron, money, &c.

It is only articles of this latter class that are denominated wealth.

Of Value. That quality in any object which renders it capable of gratifying our desires, is called its *value.* Thus, the value of air consists in its power to support life; the value of water consists in its capacity to slake our thirst, and in its utility in the several purposes in the arts; the value of fuel consists in its capacity to impart to us warmth, &c.

When this value is considered simply as a capacity to gratify human desire, it is called *intrinsic value.*

When it is considered as a capacity to procure for us something else in exchange, it is called *exchangeable value.*

Things which are every where abundant, and which require no aid from human labor to render them capable of gratifying our desires, have only intrinsic value. This is the case with air, the light of the sun, &c.

On the other hand, things which derive their power to gratify our desires from human labor, and which are found only in particular places, have always exchangeable value.

The reason why these latter have exchangeable value is evident. If I, by my labor, give value to something which had no value before, I have a right to the thing in which this value resides. And, inasmuch as

I have bestowed my labor upon it, I will not part with it for nothing. Hence, if any one wants it, he must offer me in exchange something on which *he* has bestowed a similar amount of labor, or else something which I could not otherwise procure, without bestowing upon it an equal or a greater amount of labor. Thus, if I have spent an hour in catching a fish, I will not give it to my neighbor for nothing, or for air, or sunlight, which I can have for nothing. I will only give it for something which I could not procure with less than an hour's labor. And if he offer me something which I could procure with half an hour's labor, I shall not exchange, but shall prefer to procure for myself the article which he offers me.

And, hence, we see that when men exchange the products which they have procured with each other, they exchange labor for labor. Thus, when men exchange silver for gold, they give a much larger amount of silver than of gold, because it requires much more labor to procure gold than it does to procure silver. They give a much larger amount of iron in exchange than of silver, because the labor of procuring silver is much greater than the labor of procuring iron.

And, hence, we see that when men exchange with each other, the exchangeable

value of any thing will be, in general, as the labor which it costs to procure it. Hence, the *cost* of any thing, or its *natural price*, is the labor which is necessary to produce it.

This, however, is liable to accidental and temporary fluctuation. Sometimes a much larger quantity of a given product is created than is wanted. In this case, the owner, in order to induce persons to buy, will offer it at a less price than the cost, because he had rather sell it at a loss, than to lose it altogether. When, in this case, the supply is too abundant, the exchangeable value will fall. On the other hand, when not enough of any given product has been created to supply the wants of the community, the buyers, rather than be deprived of it, will overbid each other, and thus will pay more than the natural price. That is, when the demand is unusually great, the exchangeable value will rise. These causes of fluctuation can, however, exist but for short periods, and the constant tendency of the exchangeable value of any thing will be towards the cost of the labor necessary to create it.

Of Production. Production is the act by which we give to any object its particular value, or its particular capacity to gratify human desire. Man can neither create nor annihilate any thing; he can only change

the form of that which is created. We cannot create iron; but we can extract it from the ore, we can then change it into steel; we can change a lump of steel into knife-blades. Each of these acts, by which a particular value is given to the iron, is called an act of production.

The substance, to which any value has thus been given, is called a *product*.

Capital. The term capital is applied to the *material* before it has been changed by labor into a product; to *the instruments* with which this change is effected; to *the means of subsistence* by which the laborer is supported; and also to the *product* which results from the application of labor to the raw material.

Of Exchange. Every man finds it for his interest to labor exclusively at one kind of production. Thus, we see that every man has his own trade or profession. But a man wants a great many other things besides those which he produces himself. The shoe-maker produces shoes, but he cannot eat, or drink, or clothe himself with shoes. Hence, he must exchange his shoes for those articles which he needs. Every other man is in the condition of the shoe-maker. And, hence we see that an immense amount of ex-

changes must be made every day, in every civilized community.

Distribution. Not only does every man work at a particular trade, it is commonly the case that a great many men must labor together in order to create a particular product. Every penknife, nay, every pin, goes through the hands of several workmen, and receives a portion of its value from every one of them. When the product has been created, every one is entitled to his share of it. The principles by which this division of the profits is made, is called by political economists, distribution.

Consumption. Every product, after it has been created, is put to some purpose. Sometimes it is used for the creation of some other product; as wheat, when it has been raised, is used for the purpose of making flour; or again it may be used for the simple purpose of satisfying human desire, as bread, when it is eaten, is used to appease our hunger. The destruction of values in this manner is called *consumption.*

The whole subject of Political Economy may therefore be comprehended under these four divisions. Part I. Production. Part II. Exchange. Part III. Distribution. Part IV. Consumption.

EXERCISES.

1. Mention some of the articles of wealth which you possess.

2. Take them, one by one, and show what desires they gratify.

3. Do any of them gratify more than one desire?

4. If so, how many values do they possess?

5. What is the difference between the value of coal and fire wood?

6. Can you enumerate some of the values of iron?

7. Which has the greater number of values, iron or gold?

8. Why has air no exchangeable value?

9. Has water ever an exchangeable value? If so, when and why?

10. If you had spent a day in making a table, why would you not exchange it for a desk that could be made in half a day?

11. Why is cotton cheaper than wool, and cotton cloth cheaper than linen cloth?

12. Suppose that the natural price of wheat were one dollar a bushel, explain the circumstances which might make it sell for two dollars, or for seventy-five cents a bushel.

13. Illustrate the nature of production in the cases of the cotton spinner, the weaver,

the calico printer, the farmer, the miller, the cabinet maker.

14. Illustrate the principle which leads men to exchange so frequently with each other. Take a dozen men of different trades, and show how they would do without exchanging, and how they would be benefited by it.

15. What do we call that class of men, who employ themselves entirely in making exchanges for other people?

16. Suppose that ten men and five boys should make together fifty yards of broadcloth, would they share the profit equally?

17. Can you state the principle by which the profits should be divided among them?

18. What becomes of all the wealth that is produced by the labor of man in a single year?

19. How many ways are there of using it? Can you illustrate them?

PART I.

PRODUCTION.

Production is the act by which we confer upon any object a value which it did not possess before, or, it is the application of *labor* to *capital* for the creation of a product. In discussing it, it will be necessary to treat, 1st, of *Capital;* 2d, of *Labor;* 3d, of the laws by which the application of labor to capital is regulated.

CHAPTER I.

OF CAPITAL.

CAPITAL is the *material* which is to be united with industry for the creation of a product, or the *instruments* which are used in the act of production, or the *necessaries and conveniences* by which the health of the laborer is sustained. Sometimes the laborer

finds the material in its native state, as the miner finds the ore or the coal in its native bed; most commonly, however, he receives it from some one who has already conferred upon it some value; and it is his occupation to confer upon it another.

The forms of capital are as various as the different occupations of men. The *material* of the farmer is seed, manure, animals, &c.; that of the manufacturer cotton, wool, iron, leather, &c.; and that of the merchant the various substances in which he traffics.

The *instruments* with which these producers labor, are very various. The farmer uses ploughs, harrows and carts; the manufacturer, saws, hammers, spinning and weaving machines; and the merchant, ships, boats, locomotives, &c.

Besides these, all men require for their *sustenance* food, clothing, shelter and the various conveniences of life. Viewed in this light, all capital may be included under one or the other of these classes.

Changes of Capital. Inasmuch as the labor of men is so universally employed in changing capital having one form of value, to capital having another form of value, capital must be incessantly undergoing changes. It is no matter how many changes it undergoes, if its value be by every change suffi-

ciently increased to pay for the labor which it cost to effect it.

Increase of Capital. If a given material undergo a change by which its value is increased, then, there is an increase of capital equal to the *difference* between its former and its present value. I say equal to the *difference*, because, in the creation of one value, another value is always destroyed, and we are benefited therefore only by the superior amount of value which we possess over that which we have consumed to produce it. Thus the farmer consumes seed, manure, labor, sustenance, in the production of a crop. He has changed one kind of capital for another, and he is enriched by as much as his crop is of greater value than all that it cost him to produce it.

Capital which is undergoing change by which its value is increased, or which is yielding an annual income, is called *productive capital.* That which is lying idle, and neither producing any thing nor increasing in value, is called *unproductive capital.*

Money forms a small but very important part of the capital of all civilized nations. The use of money is to enable us the more easily to make exchanges with each other. That it forms but a small part of the capital of a country, is evident from the fact, that a

very small part of the wealth of any individual consists of money. What is true of all the separate individuals of a community, must be true of the whole community, collectively.

Of fixed and circulating capital. That capital from which the owner derives profit by changing its form or place, is called circulating capital; while the various instruments which he uses to produce this change, and from the use of which he derives profit, are fixed capital. Thus the wheat and the manures of the farmer, the wool and raw cotton of the manufacturer, are their circulating capital; the ploughs, harrows, barn and land of the one, the machinery and buildings of the other, are their fixed capital.

There is a constant tendency in a prosperous condition of society, to change circulating into fixed capital. The farmer sells his wheat, and with the produce buys more land and better tools, or erects better fences and barns. The manufacturer with his profits of this year, enlarges his manufactory, and thus, in the progress of society, vast sums are annually invested in roads, canals, manufactories, and various means of practical improvement.

The beneficial result of this tendency is easily seen. Fixed capital is but slowly consumed, and hence the wealth of each generation is transmitted to the next; and, year

after year, a country becomes better and better provided with the means for furnishing itself with all the conveniences of life. The superior conveniences which we enjoy in this country, over those enjoyed by the Indians who formerly occupied it, are owing, entirely, to the amount of fixed capital which covers the soil. It is thus that the results of the industry of men are transmitted to their posterity; and, that the men of any one age are enabled to reap advantage from the skill and good conduct of the men of all ages who have gone before them.

EXERCISES.

1. Give examples of production in several of the trades.

2. In how many senses is the word capital used?

3. Give an illustration of each of them.

4. Take the instances of a carpenter, a shoe-maker, a tanner, a rail-road proprietor, and show what part of the capital of each belongs to *material*, and what part to *instruments*.

5. What changes of capital does the leather undergo, of which a pair of shoes is made?

6. What changes of capital does the cloth undergo, of which a coat is made?

7. Illustrate the nature of increase of capital in the course of these several changes.

8. Give instances of productive and of unproductive capital.

9. Suppose capital to be entirely unproductive, what is it worth?

10. What proportion of your property consists in money?

11. Illustrate the difference between fixed and circulating capital.

12. What is the benefit of the increase of fixed capital?

13. In what respect is an old preferable to a new country?

CHAPTER II.

OF INDUSTRY.

SECTION I.

Of the Nature, and the different Kinds of Human Industry.

Industry is human exertion of any kind, employed for the creation of value.

If we consider the different kinds of value, which it is in the power of man to create, we shall see that human industry may be employed in three different ways.

1. The farmer plants seed, and, in the process of vegetation, the air, and sunlight, and water, and earth, and manure, are changed into wheat. That is, the *elementary* particles of these substances assume a different form. The case is the same with the chemist and with many other producers. In all such cases, the industry is said to change the *elementary form* of matter.

2. The blacksmith merely changes the shape of a bar of iron into horse shoes, nails, hinges, &c.; the carpenter changes the shape

of a board into the shape of a table, the cotton spinner changes the raw cotton into thread, &c. This kind of industry is said to change the *aggregate form* of matter.

3. The sailor changes neither the elementary nor the aggregate form. He delivers the goods just as he received them, but he removes them from one place to another. The same remark applies to the teamster, the rail-road proprietor and many others. In this case, industry is said to change the *place* of matter.

The ultimate design of all human industry, employed in production, is to effect either one or the other of these results. They are frequently denominated agricultural, manufacturing and commercial industry. It is rarely, however, the case, that a man in carrying on any trade, does not perform some labor belonging to more than one of them. His calling is, nevertheless, designated by the ultimate object which he intends to accomplish.

It is evident that every one of these kinds of labor is absolutely necessary in order to promote the convenience and happiness of man; and, also, that neither one could prosper without the aid of the others. Were there no agricultural labor, every body would starve. Were there no manufacturing labor,

every body would be frozen. Were there no labor employed in transporting commodities from place to place, no one could enjoy any convenience except what he had produced himself; that is, though with great industry and suffering a few persons might live, yet they would be but few, and these few would be miserably poor. Hence, we see how unwise it is for any jealousy to exist between the farmer, the mechanic, and the merchant. All are equally necessary to each one, and each one is necessary to both the others.

But some men are neither mechanics, nor farmers, nor merchants; they are students, or philosophers, or lawyers, or physicians, or clergymen. It may very reasonably be asked, of what use are such men. They neither raise the food which we eat, nor make the carriages, nor ships in which our property is transported; nor manufacture the clothing that we wear. Of what use are such men to a community, and why could we not as well do without them?

In order to answer these questions, it will be necessary to take another view of the subject.

Observe, for instance, a ship. A ship carpenter builds a ship. But how does he know how to build it? It is built better, will sail faster, and is incomparably more commodi-

ous, than ships in the time of Alexander or Julius Cæsar. Every one who will reflect will say because we *know* better how to build ships than they did then. But *how have we come to know better?* Because some persons have studied the art of ship building, and have found out what form of vessels is best adapted to going through the water, and what form is strongest and least liable to be injured by the storms and tempests. The man who studied this subject, and thus gave rules for ship building, did more to promote commerce, than all the mere ship builders that ever lived. He certainly was not a useless member of the community, though perhaps he never drove a nail, or lifted a broad-axe in his life.

Again, suppose the ship to be built and about to be sent to the East Indies; she must sail, for months together, without coming within sight of land. How are we to learn in what manner to direct her course? You will say, by a knowledge of navigation. True; but how have men learnt the science of navigation? Why, from learned men, who have studied astronomy and mathematics, and have taught us the rules by which we may ascertain our place, in any part of the globe, either on land or water. The men who taught us these rules, were not useless mem-

bers of the community, though they had sat in their studies every day of their lives.

Or, take a steam engine. How does a man know how to construct a steam engine? You will say, because Watt, or Fulton, or some one else, invented it. Then these inventors were certainly not useless. On the contrary, we consider them to have been great public benefactors. But how did Watt or Fulton come to invent a steam engine? We answer, because some one else had discovered *the laws* of steam, and these men then taught us how to use *these laws* for our advantage; that is, they invented the engine. This *some one else*, who discovered the laws of steam, was not useless, since had he not discovered the law, no one would have been able to invent the machine.

Hence, we see that men may be industrious in three ways. First, they may discover the laws of nature, as Franklin, Sir Humphrey Davy, the Marquis of Worcester, Newcomen, &c. Secondly, they may invent instruments by which we may avail ourselves of these laws, or teach us the rules by which we may know how to benefit ourselves; and, thirdly, they may perform the operation necessary to production.

To the first class belong philosophers, statesmen, and discoverers of every kind.

Such were Sir Isaac Newton, Franklin, Sir Humphrey Davy, and many others.

To the second class belong all inventors of machines, such as Watt, Fulton, Whitney, and others.

To the same class belong professional men. Thus, the lawyer teaches how, by means of the civil law, to maintain our rights and obtain redress for our grievances. The physician teaches us how to obey the laws of our constitution, so as to preserve or to restore our health. The clergyman teaches us how to obey the moral laws of God, so as to secure both our present and future happiness.

To the third class belong the persons who labor in the several trades and manual operations; such are the farmer, the mechanic, the manufacturer, and the merchant.

Now, all these are necessary to the welfare of society, and no society exists in a state of civilization, in which they are not all to be found. There is no reason why one class should be jealous of the other; for, were either class to be abolished, both the others would be greatly injured; and the happiness and comfort of society would be greatly diminished.

Hence, we see that if a man is only industriously directing his efforts to accomplish either one of these objects, he is a benefit to

his country. He only is to be stigmatized as useless, who is allowing his faculties to lie idle, and is doing nothing to benefit his fellow-men in either of these respects. And, also, we see that if laborers in the first two classes of industry do really benefit their fellow-men, there is no reason why they should not be paid for it, as well as any other persons.

EXERCISES.

1. To which class of industrious persons does an ink-maker belong? Why? To which does a farmer belong?

2. To which class does a chair-maker, a shoe-maker, a cutler belong? Why?

3. To what class does a stage-driver belong? Why?

4. Give examples, from your own observation, of these three classes of industry.

5. If a farmer raise wheat, and carry it to market, how many kinds of industry does he perform?

6. Suppose a miller grind wheat, and carry it to market, how many kinds of industry does he perform?

7. If a baker make bread, and carry it round to his customers, how many kinds of industry does he perform?

8. Suppose a country had no roads, would it be an advantage or a disadvantage to the farmer and mechanic? Why?

9. Suppose there be raised only a scanty harvest, is it an advantage or a disadvantage to the wagoner and sailor? Why?

10. Of what use are philosophers and students to farmers, to gardeners, to blacksmiths, to cotton-spinners, to rail-road makers?

11. Of what use are lawyers to you and me?

12. Of what use are clergymen to the community?

13. Franklin discovered that the lightning was the same as the electrical fluid. Of what use was this?

14. Sir Humphrey Davy discovered that inflammable air could not be set on fire, if surrounded by wire gauze. Of what use was this discovery?

15. Hadley invented an instrument by which a mariner may, at any time that he can see the sun, determine his place on the earth. Of what use was this to the world?

16. Whitney invented an instrument, called the cotton gin, by which one person can clean from the seed as many pounds of cotton as fifty persons could before. Of what use is this to cotton growers, to cotton manufacturers, and to those that wear cotton cloth?

17. If a clergyman persuade the people in a village to become temperate, honest, indus-

trious and frugal, who were before intemperate, dishonest, lazy and prodigal, is this of any economical benefit to the community? In what respect?

18. Which is of the most extensive benefit to a community; he who discovers a law of nature, or invents a machine, or he who performs the operation, after the way of performing it has been made known?

SECTION II.

Of the Increase of the Productiveness of Human Industry by the Means of Natural Agents.

By the productiveness of human industry, we mean the amount of product, which a human being, in a given time, can create. Thus, if a farmer by one day's labor can raise one bushel of wheat, the productiveness of his labor is equal to one bushel; if he can, with the same labor, raise two bushels, the productiveness of his labor is equal to two bushels. If a cotton spinner can spin one pound of cotton in a day, this is the amount

of the productiveness of his labor. If he can spin ten pounds, this is the amount of it.

Now, it is evident, that the greater the productiveness of labor, the better is it for the industrious person and for all his neighbors. Every one knows that it is better for a farmer to own rich than to own poor land, because, with a year's labor on the one, he can obtain a much larger crop than on the other. It is, moreover, better for him that his neighbors, also, should have rich than poor land, because, the richer their land, the larger quantity of *their* products will they be able to give him in exchange for *his* products. But the only difference between rich and poor land is, that rich land renders industry *more productive* than poor land.

The case is the same with the other modes of industry. He who spins with his fingers, without any machine, labors very unproductively; that is, in a day, he can create but a very small product. He who labors with a spinning-wheel, labors much more productively; that is, with a day's labor, he can create a much larger amount of product. And he who uses a still better machine, called a spinning-jenny, labors yet more productively; that is, in a day he can create twenty, or a hundred times as much product as he could with a spinning-wheel. In every case,

as the productiveness of labor increases, both the laborer and the community are benefited, just as a farmer would be benefited by exchanging a poor soil for a rich one. In both cases, the benefit is the same; that is, with a given amount of labor he creates a larger amount of product; he receives better wages for his labor, and, at the same time, the community obtains his product at a cheaper rate.

And, hence it is, that mankind have been, from the earliest ages, endeavoring to invent means by which the productiveness of human labor may be increased. And the condition of mankind is improved, from time to time, just in proportion as these endeavors have been made successfully. Every one knows how much the comforts of an industrious mechanic, in this country, exceed those of an Indian on our frontiers. And the difference is owing to the fact, that the labor of the one is *so much more productive* than that of the other.

Now there are two ways in which the productiveness of human industry may be increased; these are, First, the *use of natural agents*, and, Secondly, *division of labor*. The remainder of this section will be occupied with an explanation of the nature and use of *natural agents*.

A natural agent is, as its name imports, an agent of nature, or any quality of things which

we are able to use in order to accomplish our purposes. Thus, it is of the nature of wood, when set on fire, to give off heat; and heat is the natural agent which we use for the purpose of cooking our food. It is of the nature of steam, when heated, to expand, and when suddenly cooled, to contract; and hence steam is the natural agent, by whose alternate expansion and contraction, we create the force which we need to propel boats or machinery. So it is of the nature of water, when falling down from an elevation, to acquire a very considerable force; this force is the natural agent which we use to turn the wheel of a mill. So, the peculiar quality of the magnet is a natural agent. The various qualities of medicinal herbs are also natural agents, though used for a different purpose from those mentioned above.

A *tool or a machine*, is any instrument by which we are enabled to avail ourselves of the qualities of natural agents. Thus, an axe is an instrument, by means of which, we make use of the cutting power of iron. A steam engine is an instrument, by which we make use of the expansive and contractile quality of steam.

In Political Economy, the principal use of natural agents is either to create or to use power, or force, or, as we sometimes call it,

momentum. Thus, if a man wishes to row a boat, or chop wood with an axe, he must have strength or power with which to do it. The more strength or power he has, the more work he can do. Thus, a man can do more work than a boy, because he has more strength, or power, or force, to do it with. Now natural agents are capable of exerting this power, and by means of machinery, we can direct the manner in which it shall be exerted.

The natural agents which we use for this purpose are of two kinds, animate and inanimate.

Animate natural agents are beasts of burden and draft, as the ox, the horse, the ass, the camel, the elephant, &c.

That these very greatly increase the productiveness of human labor is evident. Every one knows how much more land a farmer can cultivate by means of a pair of oxen, than he could by his own unassisted strength, and how much more wheat a man can transport from one place to another with a wagon and horse, than he could carry on his back.

The inanimate natural agents are, as we have said, the various qualities and powers of things, by which we are enabled to accomplish our purposes. The most important of these are gunpowder, wind, falling water and steam.

Gunpowder is used in war, in hunting, and in the blasting of rocks. For the latter purpose it is very valuable in the construction of canals, rail-roads, &c.

Wind is used as a stationary agent in the common wind-mill; and as a locomotive agent in the propelling of vessels on the water. It is cheap, and for some purposes very valuable.

Falling water is used, very extensively, as a stationary agent in almost all works where great power is required. Almost all our nails are made, our wheat is ground, and much of our cotton is spun and woven by water.

Steam, however, is now used the most extensively for the various purposes of the arts, as it possesses many advantages over every other agent. It is capable of exerting any degree of force, from the least to the greatest; it may be used as a stationary or a locomotive power, it may be used on land or on water, and it may be placed perfectly under human control. Its only disadvantage is, its expensiveness. Steam is now used to spin the finest thread and the stoutest cable, to weave muslins and to hammer anchors, to propel the largest vessels on our rivers and on the ocean, to draw our carriages, to saw and plane our boards, and, in fact, to accomplish almost all the purposes which require either great or unremitted force.

Inanimate agents are, in general, preferable to animate agents, in most of the purposes for which power is required. The reason of this will be easily seen. For instance;—

1. *They are cheaper.* A steam engine of 100 horse power will cost less than the horses necessary to do the labor which it performs, and will cost much less to keep it at work.

2. *They labor without cessation,* while animals require much time for rest and refreshment.

3. *They are safer.* They have no passions, and hence may be governed by fixed and certain laws. A steam locomotive is neither liable to run away nor be frightened.

4. *We can use them without the infliction of pain,* while animals frequently, of necessity, suffer in consequence of hard labor or rapid driving.

5. They are capable of much more rapid action; hence, there is a great economy of human time.*

But this is not all. Men are able, not only by the above means, to create force; they are also able to devise machines by which the

* The subject of natural agents is treated in a very amusing and instructive manner in the story of "The Three Giants," in "John Hopkins' Notions on Political Economy," a work to which I would refer the reader for much valuable information.

force thus created may be applied. Thus, after a steam boiler and cylinder have been constructed, we are able to create a force by means of steam; but we still need levers, and wheels, and cranks, in order to enable us to use it. When we have trained horses to draw, we still need wagons to enable them to draw with. All these machines, by which force is directed, are the various modifications of what are called, in philosophy, the mechanical powers. And, by means of them, we are enabled to wield the force which we have created, in any manner that we choose.

Besides these agents for the creation of force, there are various other qualities of things which are of very great use in the purposes of human life. Thus, for instance, some of the metals when heated readily melt, and, if in this state they are poured into a mould, they retain the shape of the mould with perfect precision. In this manner, much human labor is saved, or a given amount of labor is rendered much more productive. Were it not for this quality of type-metal, every type must be cut by the hand. This would render types and books very expensive. But, now, we have only to cut a mould into the form that we wish, and, if the melted metal be poured into it, the type is formed by cooling, into the precisely corresponding

figure. In this manner, a single workman can make several hundred types in an hour.

There are various other qualities of things which we use, in like manner, but their number is so great that we have no room here to describe them. By reflection, every person may easily furnish himself with as many examples as he pleases.

EXERCISES.

1. Give examples of your own, of the manner in which the productiveness of human industry is increased.

2. What is the condition of mankind when their labor is very unproductive?

3. Did you ever see such men? Do they grow rich or poor?

4. Was labor more or less productive five hundred years ago than now?

5. What consequences have ensued from the increased productiveness of labor?

6. Illustrate, from an example of your own, the use of natural agents.

7. Mention some of the purposes to which the natural agent, heat, is applied.

8. Mention some of the purposes to which the natural agent, water, is applied.

9. Mention some of the uses of the natural agent, iron.

10. What natural agents do we use in navigating a ship?

11. Explain the manner in which the use of horses and oxen increases the productiveness of human industry.

12. Which is the most valuable of the animals which men use for labor?

13. Are there any other animals besides those mentioned in the text, by means of the powers or dispositions of which, man accomplishes his purposes?

14. In what circumstances is wind most valuable as an agent, on land?

15. Which agent is preferable for propelling vessels on water, steam or wind? Why?

16. How is gunpowder useful in making a rail-road?

17. Which is the better situated for manufactures, a hilly or a flat country? Why?

18. Which is preferable as a source of power, steam or falling water?

19. What advantages has a steam car over a stage coach?

20. In a common grist mill, what part of the machinery is designed to create, and what part to direct the power?

21. Mention some of the other qualities of things which are used to increase the productiveness of human labor.

22. What quality of the magnet do we use in the mariner's compass?

23. What quality of the lens do we use in the common burning-glass?

24. What quality of iron do we use in a common tea-kettle?

25. What useful qualities are possessed by gypsum, or as it is commonly called, plaster of Paris?

26. How does this increase the productiveness of human labor?

SECTION III.

Of Division of Labor.

In the preceding sections, we have seen that the productiveness of human labor may be greatly increased, *first*, by discovering the various qualities of things, or, specially, those qualities by which we are capable of creating force; and, *secondly*, by those various contrivances, by which the force thus created may be directed and applied. We have one other source of increased productiveness yet to consider; it is division of labor, and its results are, in many cases, as striking as any that have been noticed.

Division of labor, in general, means employing one individual upon one kind of labor, instead of employing the same individual upon several kinds of labor. If we reflect, we shall see that this circumstance forms one of the great differences between savage and civilized nations. A savage does for himself whatever he requires to have done. He is his own philosopher, inventor and operative, his own farmer, butcher, baker, shoemaker, tailor, carpenter, &c. And the result is, that he is ignorant, hungry, shelterless, almost naked; and that he continues, age after age, without making any improvement. On the contrary, civilized men divide these various occupations, so that one man labors wholly in one, and another man labors wholly in another employment. And the result is, that civilized men, without laboring more than savages, easily obtain convenient shelter, clothing, food, and all the necessaries of life.

But still more. Every one who observes any mechanical process, observes that it consists of several parts. For instance, in order to make a knife, the blade must be formed and then polished, the handle must be formed in several pieces, the rivets must be made to connect these several pieces together; and after these several pieces have been formed and prepared for each other, they must be

united together into a knife. Now, what is commonly called division of labor, in Political Economy, consists in so apportioning this work, that one person shall labor at only one part of any process.

The division of labor, in this manner, is found to have a much greater effect upon the productiveness of human industry, than could possibly have been supposed. Every man who labors at a trade, adopts this plan in part. If a cabinet maker have a dozen tables to make, he will make all the legs of all the tables at once, then all the covers, &c., and when all have been prepared, he will put them all together. And if several men were to unite and make nothing but tables, and each one perform but one part of the labor, they could make a great many more tables in a given time, than if each one made a whole table.

The reasons for this increased productiveness are several.

1. It saves the loss of time and skill which must result from frequently passing from one occupation to another. After a man has labored for some time at one thing, he is said to have "got his hand in," and he performs the operation with ease and skill. If he turns to a different occupation, "his hand is out," and he cannot perform it so well. Hence,

all the time consumed in acquiring the habit is lost.

2. When a variety of operations is to be performed by the same individual, he must frequently adjust his tools, or pass from the use of one kind of tools to the use of another. This creates a great waste of time. By performing the same operation continuously, the same tools with the same adjustment will answer the same purpose perpetually. This is specially the case where the adjustment of tools requires not only time but expense, as, for instance, in the use of the blacksmith's furnace. If the smith heat it, and leave it for the purpose of doing some other work, all the fuel consumed after he leaves it, as well as that necessary to bring it again to its proper temperature, is lost.

3. When men confine themselves to a single operation, they acquire a degree of dexterity which could be acquired in no other manner. A man who only occasionally makes nails, will make but eight hundred or a thousand in a day; while a boy who has never done any thing else, will make upwards of two thousand three hundred in a day.

4. Division of labor suggests the invention of tools and machines, by which labor may be rendered still more productive. As soon as an operation is analyzed into its simple

processes, it is comparatively easy to contrive some way in which to perform either one or all of these processes by a machine. It would have required great skill to construct a machine for making nails before the process was analyzed; but let it be divided into rolling, cutting and heading, and it is comparatively easy to construct instruments by which each of these processes may be accomplished.

5. There is great diversity in the talent required for performing the various parts of a process. Some parts of the operation require great dexterity, and a long course of education; others can be performed by women, and even by children, with very little training. Some require labor worth two or three dollars a day; and others can be executed by labor worth no more than twenty-five cents per day. Now, without division of labor, all the processes must be performed by labor at the highest price. By division of labor, the manufacturer can employ just the amount and just the kind of labor that he needs. This greatly reduces the cost of production.

The effect of all this is seen in the very low price at which almost all the articles of general use may be obtained. For instance, suppose a lady wanted a dozen needles, and she should apply to a jeweller, or other workman to make them for her, they would cost,

probably, from twelve to twenty-five cents a piece, and would then be very clumsily made. But we are able to import from a place 3000 miles off, needles, at, I believe, four for a cent; and this includes the price paid to the manufacturer, the profit of the merchant at Liverpool, the cost of transportation, the profit paid to the merchant in New York, and also the profit paid to the retail merchant here. This prodigious reduction of price is almost entirely owing to division of labor.

1. But to this division of labor there is a natural limit. This limit depends upon several circumstances. For instance, a given process consists of no more than a certain number of operations. When it has been divided into as many parts as there are processes, and one part is assigned to each individual, this is as far as division of labor can go. There would be no economy in any further division.

2. Again, the practicability of division of labor depends upon the capital of an individual or of a country.

A man must have accumulated some considerable amount of capital before he can carry on division of labor in any occupation. For instance, suppose that the division requires the labor of ten men, he must have

materials and tools sufficient to employ them all. Nor is this all. Suppose that it take ten days to finish his product, he must have material sufficient to employ these ten men during all this time, before he receives any thing in return for that product. And, if it take a fortnight more, before he is able to sell his goods and obtain a fresh stock of material, he must have a capital sufficient to employ them during this time also. It is for this reason that manufactures do not commence with the first settlement of a country, but they must always be delayed until capital accumulates, before they can be successfully established.

3. Division of labor can only be carried on where there is sufficient demand for a product to consume it as fast as it is manufactured. If, while it would take *ten* men to manufacture pins by division of labor, only so many pins could be sold as could be made by *one* man, the labor could not be divided. This, however, depends upon several other circumstances. For instance,

The demand depends upon the number and the wealth of a community. There is a larger demand for hats in a town of ten thousand inhabitants, than in a village of one hundred inhabitants. There is a greater demand for hats among a thousand rich men,

than among a thousand beggars. This is another reason why division of labor and manufactures naturally increases with the growth, and age, and wealth of any country.

And hence we see why roads, canals and rail-roads are so beneficial to the industry of a country. By reducing the cost of transportation, they render the price of any commodity as low at one hundred miles distance, as it frequently was before at ten miles distance from the place of its manufacture. Hence, they increase the number of consumers, and, by thus increasing the demand, render practicable the division of labor in cases where, before, it was impracticable.

Again, it is evident that demand must be greatly affected by the cost of the article manufactured. Costly articles are purchased only by the rich. But the rich are only a small part of the community. Hence, the demand for such articles is but small. It is those articles which every one wants, and which every one can buy, that create such a demand as will enable them to be made at the cheapest possible rate. Hence, we see that division of labor, and the reduction of price which it occasions, benefits the poor much more than it does the rich. I do not suppose that jewelry, trinkets, rich laces, are much, if at all, cheaper than they were twenty or

thirty years ago; while cotton cloth, hardware, woollen goods, and all the manufactured necessaries of life, have fallen in price from one half to three fourths. This is an immense benefit to those of us who are obliged to spend our money for necessaries and comforts, and have none to spend for trinkets.

There is one branch of division of labor which yet remains to be considered. It is geographical division of labor. Every body knows that oranges, cotton, coffee and rice will not grow in northern latitudes, and that wheat, and wool, and flax, and hemp, and various other necessaries of life, will not grow at the south. Some districts produce coal, others produce salt; some possess beds of iron, others of copper ore; some countries are level and adapted to tillage, others are mountainous and adapted to grazing; some are furnished with all the means for the establishment of manufactures, others are suited only to agriculture. Now, this being the case, it is manifestly the intention of the Creator, that each district should improve to the utmost those advantages which have been bestowed upon *it*, and procure by exchange with other countries those articles which *they* are better adapted to supply. Cuba will be supplied with wheat, and New York with coffee, at a much cheaper rate, if each coun-

try devotes itself to raising that for which it has peculiar advantages, than if both countries undertook to raise for themselves both wheat and coffee. And the design of the Creator in this arrangement is manifest. He intends thus to cultivate friendly intercourse, between nations as well as between individuals, and thus to render them happy and prosperous, just in proportion as they reciprocally benefit each other.

EXERCISES.

1. Explain, in your own language, what you mean by division of labor.

2. Give an example of the division of labor into labor of discovery, invention, and operation.

3. Mention some of the trades among which that labor is divided, which is necessary to produce a pair of shoes.

4. Mention some of the trades among which that labor is divided, which is necessary to produce a coat.

5. Can you divide the labor of making a common cut nail into its several parts?

6. Divide the labor of making a pin into its several parts.

7. Suppose you were employed to make fifty chairs; if you performed all the work

yourself, how would you arrange it, so as to economise your time and labor in the greatest degree?

8. Suppose you could sell as many chairs as you could make, and you employed twenty workmen, how would you arrange their labor so as to economise it most perfectly?

9. Could you sell five hundred chairs cheaper if they were all of one pattern, than if they were of ten different patterns? What would be the reasons of the difference?

10. What is the reason that we are obliged to pay at a higher rate for a single table than for a hundred tables?

11. What is the reason that children become so dexterous in the performance of the several operations in manufactories?

12. Explain the reason why it is economical to employ so many women and children in manufactories.

13. What would be the price of a penknife, if you were to have one made by a workman here? What is the price, if you buy one made in Sheffield? What makes this difference? Explain the various circumstances on which it depends.

14. Which is the preferable situation for manufactures, New England or the Western States? Explain the reason.

15. Which is most favorably situated in

general for manufactures, Great Britain or the United States? Explain the reason.

16. What kind of manufactures would naturally be introduced first into a country? Why?

17. Explain, from some case that you are acquainted with, the advantages of employing one person exclusively to perform one operation.

18. Explain the advantages arising in the manufacture of cotton from the division of labor, so far as you understand it; or in any other branch of manufactures.

19. Suppose there were a waterfall in a town, and cotton could be manufactured there as cheap as at any other place, but the cost of transportation, owing to the badness of the roads, was so great, that the price was doubled by the time it was brought to market. How would such a town best promote its own prosperity?

20. Who are the most benefited by improvements in production, the rich or the poor?

21. Explain the reason why it is evident that God intends every country to devote itself principally to raising some peculiar product.

22. Of what advantage is the Erie canal to the manufacturers of New England?

SECTION IV.

Of the Benefits of increased Productiveness of Labor.

The object of labor, as every one knows, is to procure the means of happiness. A farmer labors to produce wheat, rye, fruits, &c.; a cotton manufacturer to produce clothing, and a shoe-maker to produce shoes, and so of any other case.

Now, the greater the productiveness of labor, the greater are the means of happiness which the individual, by a given amount of labor, produces. If a farmer expend a year's labor upon a rich soil, his labor is more productive than if he expended it upon a poor soil; that is, with the same labor, he produces in one case five hundred bushels of wheat, and in the other case only two hundred bushels. Every one sees that this is an advantage; and every one would rather own one hundred acres of good soil than one hundred acres of poor soil.

Now, if a poor soil can, by means of manure, or in any other manner, be changed into a good one, the result is the same as if, by means of improved tools, a farmer were

able, by one day's labor, to produce twice as much as he could produce before.

Now, this principle applies just as much to a manufacturer, or any other laborer, as to a farmer. Suppose a carpenter, when he first commences learning his trade, could not make more than one table in a week; his labor would be very unproductive. As he becomes more and more skilful, he can make a table in less time, and, at last, when he can make a table in a day, his labor is six times as productive as it was before, and he has the means of procuring for himself six times as many comforts with the same amount of labor. If he be able, by means of a turning lathe, or a steam engine, or by division of labor, to make two tables a day, his labor will be still more productive, and he will be able to procure for himself a greater amount of conveniences.

So, if men spun by hand and wove by hand, were this possible, a man could produce but very little thread, and very little cloth. His labor would be in the lowest degree unproductive. But, if he invent a spinning-wheel and a loom, his labor becomes at once vastly more valuable, and he can produce ten or twenty times as much as he could before, and he is able to provide himself with a much greater portion of the necessa-

ries and comforts of life. If, now, we furnish him with a spinning-jenny and a power-loom, his labor will be still more productive, and, as he creates, with a given amount of labor, a greater amount of the means of happiness, a larger portion will fall to his own share, that is, he will be both richer and happier. And the facts show that such has always been the result. The labor of the Western Indian, or the Eastern Hindoo, is without machinery and without division, and it is of course very unproductive. A human being, without tools, can produce a very small amount of value or means of human happiness. Hence, *he* is very poor, and, as thus by the whole number of such human beings there is very little produced, the *whole community* is very poor. The whole wealth of the Indian is a blanket, and a bow and arrows. The whole wealth of a Hindoo is a pot of rice and a cotton cloth. How different is the condition of the laborer in this country! There, the wages of the weaver are three or four cents a day, here, the wages even of females are sometimes a dollar a day. Here, the laborer has every variety of comfortable furniture, of food and clothing, and is able to bestow upon his children the elements of a sound and valuable education. And, thus it is always found, that the greater

the productiveness of industry, the greater are the wages of the laborer, and the better is it for all classes of men. Suppose all our manufactures and machinery were at this moment annihilated, every one sees that we should all starve, or else be frozen to death. And, thus, the more rapidly our machinery and manufactures are improved, the farther are we removed from freezing and starvation.

And we also see that it is not beneficial, merely for one individual to increase the productiveness of his labor; it is beneficial to the whole community, that the whole industry of the whole should be as productive as possible. Would it not be a benefit, if the crops of corn, and wheat, and cotton, and rice, the products of the fisheries, of the mines and of the manufactories, during the next year should, with the same labor, be doubled, so that we might, by a day's labor, procure twice as much bread stuffs, fuel, clothing and every necessary and comfort of life, as we are able to procure at present? Now, the whole effect of the increased productiveness of labor, by means of machinery and of division of labor, is, to bring about precisely such a result.

And yet more, the benefit of this change is specially realized by the laboring classes. A nobleman in Great Britain is by no means

as much better off than his ancestor, as a common laborer in England, now, is better off than a serf at the period of the feudal oppression and ignorance. The rich and powerful in all countries always have an abundance of comforts and luxuries. They are but slightly benefited by improvement in the productiveness of labor. It is the laborer who is chiefly benefited, because every improvement brings within his power some convenience which was before out of his reach. What difference does it make to a man, worth a hundred thousand a year, whether coal costs five or twenty dollars a ton, flour six or sixteen dollars a barrel, cotton cloth twelve or fifty cents a yard, and broadcloth five or twenty-five dollars a yard? At either price, he would be able to procure an abundance. But to the man who is worth but two hundred and fifty or three hundred dollars a year, the difference of price is a matter of immense consequence; inasmuch as at one price he would be able to supply himself abundantly, and, at the other price, he would be able to supply himself but very scantily, if he were able indeed to supply himself at all. Hence, we say, that improvements in machinery, by which the productiveness of labor is increased, are specially for the benefit of those of us who are so fortunate as to be obliged to work for our living.

The only objection to all this is, that, by increasing the productiveness of labor we diminish the demand for labor, and, that, hence, laborers are thrown out of employment. This deserves a brief consideration, inasmuch as it has led not only to erroneous views in theory, but to practical wickedness in action.

To settle this question, let us examine the facts. What are the manufactures which now employ the greatest number of workmen; and, in which has the number of workmen, within the last twenty years, the most rapidly increased? I think that any one will answer, the cotton and the iron manufactures. But, if we were asked, in which branches of manufactures has labor-saving machinery been most extensively introduced, we must also answer, the cotton and the iron manufactures. Or we may come to the same result, if we compare the linen with the cotton manufacture. Machinery has been introduced only in a small degree into the mauufacture of the one, and very extensively introduced into that of the other. The consequence is, that the laborers in linen are very poorly paid, and are diminishing in number, while the laborers in cotton are well paid, and are every year rapidly increasing. These facts are abundantly sufficient to teach any person what is the natural result of the use of machinery.

The reason of this is easily seen. Suppose that only ten thousand yards of cotton cloth, at fifty cents a yard, *could be used* in a given district, and it required a hundred men to make them. If these ten thousand yards could be made by fifty men, it is evident that fifty men would be thrown out of work. But, suppose that by this change in the mode of labor, the cotton cloth which was sold at fifty cents, could be sold at twenty-five cents, so that *twice the quantity* could be used, and twenty thousand yards were wanted, there would be a demand for just the same number of workmen as before, so that the workman would be just as well off as he was before. But, suppose that when cotton was at fifty cents a yard, only those worth a thousand dollars a year could afford to purchase it; while, now that it is at twenty-five cents, those worth only five hundred dollars per annum can become purchasers. The number of persons in a community worth five hundred dollars a year, is more than double that of those worth a thousand dollars. Hence, this class, alone, would create a demand which would place the laborer in as good circumstances as he was before. But to this must be added the demand of those worth six hundred, seven hundred, nine hundred, and a thousand dollars, and it must be remem-

bered that each one of these classes will now use more cotton cloth than the class of a thousand did formerly. To this must be added the fact, that by the reduction of price, cotton cloth may be used for many purposes to which it could not formerly have been applied. All these circumstances taken into the account, will show us how it is, that the greater the productiveness of industry, the greater will be the wages of labor; and, that the more extensively labor-saving machinery is introduced, the greater will be the demand for laborers.

But, this is not all. While the laborer is thus benefited in his wages, by the use of machinery, he, and every other person, is equally benefited in another respect. We have seen, that, by this means, every product is rendered cheaper. Every one knows how much cheaper woollen and cotton goods, carpets, books, and most of the necessaries of life are, than they were a few years since. Not only are they cheaper, they are also better and more elegant. Calicoes, crockery, the various fabrics for wearing apparel, paper hangings, and many other things may be procured at a very reasonable price, and of great beauty of appearance. These benefits the laborer shares with the rest of the community. Hence, his share of the advantage is

doubled. His wages are raised, and the price of what he purchases with them is reduced. The rich man receives no higher interest for his money than before, that is, his wages remain the same, his only advantage is, that, with the same money, he can procure what he wants at a cheaper rate.

Thus we see that all classes of persons, both rich and poor, both those who produce, and those who make use of the conveniences and necessaries of life, are benefited by the use of machinery, and of all contrivances by which the same article can be furnished at a less price. We see, also, how greatly every man who invents any thing of this sort, is a benefactor to society. We see how groundless and how wicked are the prejudices of men against such contrivances, and how we all ought to rejoice at the discovery of any means by which the condition of our fellows may be made more comfortable. And we see, in general, that a benefit to one is a benefit to all, and, that, rarely, can any instance be found, in which we benefit others without even in a greater degree benefiting, also, ourselves.

EXERCISES.

1. Suppose a country in which all machinery and division of labor were abolished; describe the condition of that country.

2. Suppose that the price of hats were at present five dollars; would it not be an advantage to you, if you could discover a mode of making them for two dollars? Would it not be for the advantage of the whole community? Suppose every other manufacturer were enabled in the some proportion to reduce the price of his products, what would be the result?

3. Who would be most benefited in this country by the reduction of the price of coal, the rich or the poor, the laborer or the capitalist? Why?

4. Does labor-saving machinery increase or diminish the demand for laborers? Explain how.

5. Does labor-saving machinery increase or diminish the wages of laborers? Explain how.

6. What has been the effect upon the wages of labor in this country, of the introduction of machinery into the cotton manufacture?

7. In many cases, in Great Britain and

France, the laborers employed upon the old machines united in mobs, and broke the new machinery to pieces. Was this wise? Was it for their own interest?

8. Suppose they had succeeded in preventing the introduction of such machinery; what would have been the result? and why?

9. Suppose all cotton machinery could now be destroyed, and cotton were spun by hand and woven in a hand loom; what would be the effect upon cotton-spinners and weavers, upon merchants, sailors, cotton-growers and upon the whole community?

CHAPTER III.

OF THE CONDITIONS OF SOCIETY WHICH PRESENT THE GREATEST ENCOURAGEMENTS TO INDUSTRY.

SECTION I.

General Statement of the Subject.

WE have thus far treated of capital and industry; and have seen that industry is the great source of wealth, and comfort, and physical happiness. Hence, it is evidently important, that every man be placed under such circumstances as shall be most favorable to industry, because, on industry so much of his happiness depends.

But if we look upon men, whether as individuals or as nations, we may easily perceive that there is a very great difference in the degree of their industry. Every one knows that the Turks are proverbially idle. So are, generally, the subjects of despotic government, and so are, generally, slaves under all circumstances. On the contrary

the inhabitants of free states are, generally, industrious, as the Hollanders, the Swiss and the English. And we find, also, that at some periods, there is much more industry in the same state than in others. In times of revolution and civil war, when no one's property is secure, there is very little labor performed, because, no one is certain that he will ever reap the reward of it. These differences are well worthy of particular consideration, because, as students of history, we may thus be enabled the better to trace the reasons of the rise and fall of empires, and, specially, because, as in this country, all laws emanate from the people, every individual ought to know the conditions essential to his own and his country's prosperity.

If, now, we were asked what are the circumstances most favorable to the industry of any single individual, I think we should readily answer, that the following were among the most important.

1. That a *man should enjoy the reward of his labor.* No man will labor long without a reward, and the greater the reward the more industriously will he labor.

2. *That a man shall suffer the penalty of idleness.* God has, in our present constitution, affixed severe punishments to idleness, and these are, generally sufficient to make a

man work sufficiently, at least, to support himself.

3. Some men, however, are so ignorant that they do not know how to labor; nor do they know the advantages which labor will confer upon them. This is commonly the case with savages. Hence, intelligence is manifestly necessary to the highest degree of industry in any country. And, hence, we see, generally, that an intelligent man is not only more skilful, but also more industrious than an ignorant man.

It is evident, that if such be the conditions under which any *one man* will labor most industriously, and will, of course, surround himself most rapidly with the means of happiness, the conditions must be the same under which any *number of men* will labor most industriously, and surround themselves most rapidly with the means of happiness. That is, just in proportion as nations are so governed that all the individuals composing them are placed under these circumstances, will they be the most prosperous and the most happy.

But nations can be placed under such circumstances as I have described only by means of good laws and the faithful administration of them. If laws be bad, men will be oppressed. If laws be good, and they be not executed, men will not be protected. Hence, we see the vast importance, to every man, of good

laws and able and just judges. Without them, no nation can be either prosperous or happy. Now, the principles which should govern us in the making of laws, in so far as this subject is concerned, will appear in the remainder of this chapter.

SECTION II.

It is important, in order to render Men industrious, that every Man enjoy the full Benefit of his Labor.

In order that every man enjoy the full benefit of his labor, it is necessary, I. That every man be allowed to gain all that he honestly can, and, II. That he be allowed to use as he will all that he has gained, provided he use it innocently.

I. *Every man must be allowed to gain all that he can.* In order to accomplish this, it is necessary ;—

1. That all the property in a community be divided. By this it is meant that every thing belong exclusively to some one. Thus, in this country, all the land, and houses, and trees, and shops, and sheep, and cattle, and goods, belong to some owner. A man going along a street, can take nothing that he sees,

unless he buy or beg it, without stealing. And, so, on the other hand, every one knows what is his own, and knows what is his neighbor's.

The case is reversed among the Indians of our western forests. A tribe among them, of a few hundred persons, may occupy a tract of land as large as one of our States; but it is not divided, it is all owned in common. No one can say, this part of the soil is mine, and that is my neighbor's. No one has any better right to any particular part of this large territory than any one else. All the property that is divided, is his wigwam, his bow and arrows, and the game which he has procured by means of them.

Now, every one must see how different the encouragement to industry must be, in these two conditions of human existence. In the one case, every one, knowing what is his own, will be desirous to preserve and improve it. In the other case, no one having any thing as his own, will care at all about the improvement or preservation of any thing. Hence, in the one case, every thing goes to waste, and the whole community is no richer at the end of a year, or of a century, than it was at the beginning; and, in the other case, every year adds to the wealth of every individual and of the whole community; and a few years are sufficient to furnish the

whole community with all the necessaries and comforts of an old society.

And, still more, the few comforts and necessaries of life which the Indian possesses, are the result of division of property. His bow and arrows are his own. Were the bows and arrows of a whole tribe held in common, like their land, the tribe would absolutely starve. Hence, we may conclude, that the encouragement to industry, and the acquisition of the comforts of life, depend upon the division of property, and the more completely property is divided, the better will it be for every man, and, of course, for the whole community.

II. But it is not enough that property be *divided*, the *right* of property must, also, be *protected*. By the right of property, we mean, the right which any man has over what is his own. Thus, if a man make a table out of his own materials, he has a right to keep that table, or to sell it, or to use it as he will; and no one has a right to take it from him, or molest him in any manner in the use of it. And, it is the same thing, if he have bought the table, or procured it in any honest manner by exchange.

Now, it is the business of every man in the community, to see that no man interferes with any other man's property. This is what we call the protection of the right of

property. The whole community have committed this power to the legislators, judges, &c., who are called the government. Hence, we see that it is the special business of government to protect individuals from violation of the right of property.

The right of property may be violated by *individuals*, as in the cases of robbing, stealing, house-breaking, &c. Were this allowed, no one would labor at all, because no one would labor for the sake of seeing his property plundered and wasted by thieves and robbers. The case is the same, when property is plundered and destroyed by mobs. If a man would not labor for the sake of seeing his property destroyed by one robber, he would not labor any the more, for the sake of seeing his property destroyed by five hundred robbers.

Hence, we see that the industry of a country depends very greatly upon the goodness of its laws, and the faithful execution of them.

If laws should allow of violation of property, all men would soon become thieves instead of laborers, and as thieving produces nothing, there would soon be nothing left to steal, and all would starve. And, if the laws be not put into execution, there might as well be no laws, and the result would be the same.

But *governments* themselves, sometimes, violate the right of property. This is the case, when, by the mere will of the government, the property of the individual is taken for any purpose whatsoever. Such is the case in many despotic governments. When this is the case, a people become at once dispirited and indolent. Who would labor on the soil through a whole summer, if he knew that he was liable to have his harvest seized in the autumn, by the soldiers of a Pasha, as soon as it was fit to be gathered? Thus, we see that the most fertile regions of the earth, when under such a government, lie almost uncultivated; the inhabitants are few, and these few are extremely poor.

Hence, we see the importance of a good constitution of government. By a constitution, we mean that agreement among men, which fixes the power of the governors, and tells exactly what they may, and what they may not do. And, hence, we also see why men should watch over their rulers very narrowly, to see whether they confine themselves strictly to the constitution. Because, if they do not, a constitution is worthless; and a ruler who is allowed to violate one article of the constitution, and oppress *one man to-day*, may violate them *all*, and oppress *every other man to-morrow*.

But, suppose that every man be allowed to

gain all that he can, he must also be allowed to *use it as he will.* This is evident, because no man will be industrious in order to gain property, unless he be allowed to use it for the promotion of his own happiness in such a way as he likes best.

A man's property are his faculties of body and mind; or his means of industry, and his property or capital. It is necessary, in order to render men industrious, that they be allowed, provided they do it honestly, to use both of these as they choose.

For instance, the laborer should be allowed to work at any trade, or as many trades as he pleases; to work in any place that he chooses, and to change his occupation whenever he supposes it can be done for his advantage, and that he be not obliged to change it, unless he believe such change will be for his benefit. It is to be supposed, that every one understands his own business better than any one else can understand it for him, and, therefore, that to oblige him to make any change, contrary to his own wishes, will do him an injury, and an injury which is wholly without excuse.

And the same is true of *capital.* Every man that owns any thing, has a right to use it as he pleases. No one, whether an individual or a government, has any right to

direct him in respect to the manner in which he shall employ it. A farmer has a right to raise just such a crop as he pleases; and a merchant to buy and sell what he chooses, and at such prices as he sees fit. He may ask too much, and may impose upon his neighbors; but if he do so, he will soon punish himself. And, though he acts wickedly, yet, as we cannot control him, without interfering with the right of property, it is much better to let him alone, than, for the sake of regulating *him*, to oppress *all the other men* in the community, and thus, for the sake of punishing *one* bad man, to injure *an hundred* good men.

We see, then, that in order to render a single man industrious, we should allow him the privilege of benefiting himself by his industry as much as he can. We see that the same principles apply to any number of men, that is, to the whole community. And we see that the whole community cannot enjoy these advantages, without a free constitution, good laws, and the faithful administration of these laws. Hence, we also see, that every industrious man is bound to see that good laws are made and put into force; and that none but thieves and robbers would gain any thing by the destruction of laws. And hence we see, also, that every one should labor to

be honest and virtuous himself, and to make other men so, because, it is only when men are good, that good laws will be made, or if made, will be enforced.

EXERCISES.

1. Are men, naturally, fond of labor; that is, would they labor as well without reaping advantage, as with it? Give a case.

2. If it be found that men labor industriously, in proportion to the advantages which they receive, how should we act towards them, in order to induce them to labor most industriously?

3. Suppose that all the property in a town were to be held in common, so that any one might take and use any thing that he chose, what would be the effect upon the industry of that town?

4. What effect would such an arrangement have upon wealth?

5. How would it, in the course of a year or two, affect the poor?

6. Suppose a merchant should establish a large shop of goods among a tribe of Indians in the far west, would he find them good customers? Why?

7. Suppose a hundred farmers and laborers should go among them to find work, would they find employment and wages? Why?

8. In which place would a merchant or a hundred laborers find best support and remuneration, in a populous and civilized city or country, or in the Indian wilderness? Why?

9. Would it be wise for us to give up the division of property, and adopt the Indian way of having all in common? Why?

10. What would be the effect on property and industry, if robbery were allowed? Illustrate it.

11. A few days since, a mob, because flour was so dear, broke into a flour store in New York, and destroyed seven or eight hundred barrels. Is this calculated to make flour cheaper?

12. Suppose such things were to be allowed in New-York, and you who lived in some other place had flour to sell, what would you do with it?

13. Suppose you lived in the city, and traded in flour, if such things were allowed, what would you do?

14. What effect then would such proceedings have on the price of flour in New-York?

15. Are the rich more interested in the execution of the laws than the poor?

16. The Turkish dominion extends over some of the richest part of Europe and Asia, and they were once the most populous. Can

you illustrate the reason why the population is now small and impoverished?

17. Suppose the President or the Congress of the United States should violate the constitution, or impose a tax which they were not empowered to impose, why ought we to remonstrate against it? What would its effect be upon the property of the country?

18. In many of the older countries, a man is not allowed to work at a trade, unless he have served seven years' apprenticeship to it, nor to practise more than one trade. Is this right or wrong? Why?

19. In France, the government, during the Revolution, obliged the farmers to cultivate a particular kind of crop, and severely punished them if they disobeyed. Was this right or wrong? Would it make men more or less industrious?

20. Suppose a man uses his property unkindly, and keeps back his goods for the sake of raising the price of them, does he do right or wrong?

21. What can we do to remedy the evil?

22. Will it remedy it, to act upon the principle that a mob has the right to destroy a man's property because they think he charges too high for it?

23. What would be the result upon the industry and wealth of a country, if such a principle were admitted?

SECTION III.

In order that Men should be industrious, it is necessary that they should be left to suffer the Results of Idleness.

It is, manifestly, the design of our Creator that man should work for his sustenance. Such was the original design. Before the fall, God sent man into the garden "to dress it and to keep it." And, after the fall, it was announced to him, that, "in the sweat of his face he should eat bread." And, thus, we find that labor and toil are the medium through which every blessing comes to us, whether physical, intellectual, or moral.

And we find the whole system to be so arranged, that, if men will not obey this law of their being, they suffer severe penalties. If a man will not deny himself, and cultivate his moral nature, he speedily becomes vicious. If a man will not read, think and study, he suffers all the pains and inconveniences f ignorance. And if a man will not labor, he soon becomes destitute of clothing and food, and perishes either from exposure to the elements or from starvation. Such are the conditions of being, under which we are placed by our Creator.

And we see that this provision is, in all

respects, most merciful. The healthy, vigorous action of our powers can be secured in no other manner than by *the use* of them. How great is the difference between the mind of the hard-working student, and that of the indolent novel reader! How great is the difference between the body of the industrious and temperate farmer, and that of the effeminate and slender man of fashion! Labor itself, even if there were no external rewards attached to it, is better than idleness; and, therefore, a system which obliges a man to labor is both wise and merciful.

Now, if this be so, there can be no hardship and no injustice in so constructing society, that every man shall be obliged to labor for what he possesses. And, surely, there can be no injustice done to the man himself, in so constructing society that he shall have his choice, either to labor or to suffer for the want of it. While, on the other hand, it would be manifestly unjust to take the property for which one man had labored, and give it to another man who had lain idle.

And, still more, as the fear of want is one of the motives which the Creator has set before us to induce us to labor, there can be no reason why this motive should not be allowed to operate, just as much as the hope of reward. If God evidently intended this mo

tive to influence men, it is proper that it should influence them, and it is very certain, that a great part of men will be much better, and happier, and more industrious, with this motive set before them, than without it.

In order that this motive may operate properly upon men, but little more is necessary than that the principles explained in the preceding section be carried into force. These are, first, that all property be divided; and, secondly, that the right of property be protected.

If property be divided, every thing will belong to some man, and every one will hold what he has earned by his labor; and, if he have not labored at all, he will own nothing. If the right of property be protected, he can neither steal, nor rob, nor plunder; and the only method left to him, in which to procure the means of subsistence, is to work for them.

Hence, we see that the benefit of good laws faithfully executed, is two-fold. They first secure to the industrious and honest the natural and just rewards of their labor and skill; and, secondly, they oblige the idle to labor, by prohibiting them from laying their hands upon any thing unless they have first honestly earned it. Hence, we see that it is the honest, and virtuous, and industrious, who are always in favor of laws; and, that it is

rogues, thieves, and vagabonds, the vicious and the lazy, who are opposed to them. Men who are honestly attending to their own business, and who are willing to labor for their livelihood, do not complain of the division of property, and of the protection given to the right of property. Such complaints always come from men who are too lazy to work; who would rather make speeches than labor, and who think it much easier to break open a barn and seize upon the wheat which the farmer has sown, and reaped, and threshed, than to sow, and reap, and thresh wheat for themselves.

But it will be said, what is to be done for the poor, if all this be so? Before answering this question, I must first ask what makes the man poor. Is he sick; is the poor person an orphan child, or a widow with small children? In a word, is he or she poor by the visitation of God; or is he or she poor because of laziness? If it be the former case, then it becomes a case of charity, and it should be relieved, and relieved just enough to supply that deficiency which has been created by the visitation of God. If a person can earn but half a living, it is a reason why he should be supported to the amount of the other half, but it is no reason why he should do nothing. If he be poor because of idle-

ness, he should be supplied with employment, and if he will not work, he may be safely left to the consequences. And leaving him to the consequences, is the very best way to make him industrious, for a man will be very ready to labor, as soon as he finds that he must either labor or starve.

Hence, it is a bad plan to have any provision, by means of poor laws, or public charity, by which a man can be supported without labor. It is a great discouragement to the industrious; because they see that *they* are obliged to labor to support the *idle*. It is a very great injury to the poor themselves; because a man is vastly happier, more comfortable, more respected, more healthy and more virtuous, when, by his own labor, he procures his daily food, than when he begs it of the parish, or of the passenger in the street. This every one observes who has visited foreign countries. Most of the cities in Europe are infested with crowds of persons who obtain their whole living by begging, and who bring up their children to the same occupation. They are all intemperate, wretched and vicious. They earn nothing themselves, and live by diminishing the earnings of others. How much better would it be for all such persons, if, by being left either to labor or to starve, they were taught the necessity

of industry, and thus rendered useful, honest, respectable and virtuous members of society!

EXERCISES.

1. Can you think of any case, in which a man obtains any thing valuable, without the labor either of himself or of his parents?

2. Is it ever desirable that a human being should live without the exercise of some kind of labor?

3. What do you think of the feeling which some persons have, that labor is disgraceful; and of others, that idleness is genteel?

4. Is there any real hardship in obliging men to earn their own living?

5. If a man be strong and healthy, is it not as just that he should pay for a loaf of bread with his labor, as that a rich man should pay for it with his money?

6. When men are opposed to laws which protect the right of property, what is the motive to which we should naturally ascribe this opposition?

7. Suppose that in a town of forty thousand inhabitants, and in which labor was worth one dollar a day, and the cost of a man's support fifty cents a day, there were five thousand men who were supported by begging. How much would the annual revenue of such a town be increased, by their being obliged to support themselves?

8. Would they themselves be better or worse off by the change?

9. Suppose a healthy person, complaining of poverty, asks charity of us, what should we do in order to render him the most essential service?

SECTION IV.

A People will be industrious in Proportion to their Intelligence.

A North American Indian is very indolent. While he has food enough in his cabin, he will lie for days together basking in the sun and dozing away his existence. He does not go out to hunt again, until he is forced away by the pressure of hunger. He then only procures enough for his present necessities, and relapses again into his former indolent stupor.

One reason of this is the following. He does not know of any method, in which, by labor, he can benefit his condition. He knows of no weapon better than his bow and arrows, and of no covering better than the skins of animals slain in the chase. Hence, he has no motive for labor, beyond that amount

which will procure him these simple necessaries.

But, let a benevolent man go into this tribe, and show them how great are the additional benefits which might be secured by additional labor, and there would at once be created a motive for that labor. If the Indian found out, that by procuring thirty or forty beaver skins more than before, he could purchase a rifle, he would easily be persuaded to labor to procure them. If he knew that, by some additional labor, he could procure an axe, or a saw, and the materials for a house, and plenty of blankets for his winter clothing, all these would be strong motives for laboring every year more and more assiduously.

Now, this change would all be the result of knowledge. The Indian knows more, and hence he is more industrious. Knowledge has opened his eyes to see what benefits he may secure by labor, and he now labors to procure them. But the case of the Indian is the case with every man. Just in proportion as men see the advantages which they may gain by industry, just in that proportion may we expect their industry to increase. Knowledge supplies motives to labor, which did not exist in a state of ignorance; and just in proportion to the strength of these addi-

rional motives, will be the increase of the labor to which they give rise.

But this is not all. Suppose a man have ever so strong a disposition to labor, he cannot labor unless he knows how. And suppose that he knows how to labor in a very imperfect manner, so that his remuneration be very small, he will labor with much less zeal than he would if he could labor skilfully, and thus with the same amount of toil, procure a much larger share of the means of happiness.

Thus, suppose a man own a farm, and be perfectly aware of the comforts of life which he could procure by the produce of it, he would have motives sufficient to induce him to labor. But, if he did not know any thing about farming, he would still be in difficulty, for, though he desire the comforts which he might procure, and be willing to labor for them, he would, nevertheless, be destitute, for he would not know how to proceed.

Hence, we see that it is very necessary to furnish all men with the means of knowledge. The farmer ought to understand the nature of soils, of vegetables, of animals, the best modes of cultivation, and the best and cheapest manures, and every thing relating to his business; the mechanic should know every thing about the material on which he labors, the tanner should understand the chemica-

principles on which tanning depends; the carpenter and house-builder should understand the principles of architecture; the manufacturer should understand every thing relating to the machinery with which he works; the merchant should be well acquainted with the natural history of the articles in which he traffics, the mode of their production, the best places from which they can be procured, and the best articles which he can send in exchange for them.

Besides this, every one of these persons ought to be able to write a good hand, and to keep accounts skilfully, accurately and neatly. By means of this knowledge, a man is able to communicate his thoughts and wishes to persons at the greatest distance from him, to write down his own reflections for his own benefit, and to be assured that he deals honestly with others, and that others deal honestly with him.

And, let it not be said, that it is enough for the master manufacturer, the rich farmer, the extensive merchant, to understand these things. This is a very false notion. A laborer on a farm will earn much better wages for being intelligent, and understanding thoroughly the business in which he is employed. The case is the same with a manufacturer, a merchant's clerk, or any other

person. And, besides, to perform an operation understandingly improves a man's mind; while to perform it blindly and ignorantly, does a man's mind no good whatever. A professor in a lecture room shows the working of a steam engine, and teaches his class the principles on which it operates. He has a small model of a foot or two in length. This is considered a very improving and valuable employment. But an engineer on board of a steam-boat, if he understand the whole process and its principles, is performing the same experiment all the while. If, however, he do not understand the principles, he is in fact doing but little more than the fireman who is employed in supplying the furnace with fuel. So, the farmer, who understands the laws of vegetation, is constantly performing experiments in botany, and by every experiment he is disciplining his own mind.

But this is not all. He who, in this manner, is laboring understandingly, is qualifying himself for a more lucrative employment. He who is thoroughly acquainted with the business of farming, will soon be able to procure a farm on his own account. He who is an intelligent and an active clerk will soon be qualified to be admitted as a partner. He who is a skilful and intelligent manufacturing laborer will soon be promoted to be an

overseer, or an agent. And thus we see, that knowledge is desirable, not for one class, but for all classes.

Now, in order to enable men to acquire this knowledge, every one should be taught to read, and write, and cipher. He who has obtained as much knowledge as this, is then able to inform himself concerning any thing that pertains to his own department; and, hence, he is able to qualify himself to rise from one branch of business to another, and become a rich and well-informed man. It is thus, that Franklin, from being a poor printer's boy, became one of the greatest philosophers of his age. Thus, Sir R. Arkwright, at first a barber's boy, rose to be one of the first men in Great Britain. And it will be found, that, in this manner, by skill and intelligence, all the great men who have made themselves, have risen from obscurity to eminence.

Hence, we see the reason why we should have schools for teaching these branches in every neighborhood. If any persons be unable to procure education for themselves, it should be furnished to them for nothing. And, in order to do this, it is better that a sufficient number of schools be supported by the public at large. In this manner, every one pays in proportion to his ability, and

every one has an equal privilege of sending his children to school. And, also, we see that this plan is specially beneficial to those persons who are in moderate circumstances, or who are poor. The rich can easily furnish education to their children, the poor cannot always afford to do it, or if they could afford it, they could not easily unite together in such manner as to procure an instructer. When this is done by the public, they have the instruction at the lowest expense, and without any trouble in procuring it.

But this is not all. I have said, that if a man have a knowledge of reading, and writing, and accounts, he can then educate himself, and acquire all the knowledge that he may need in conducting his own business. This is true. He *can* do it, but he will be much *more likely* to do it if he have been taught in youth the elements of the sciences. Thus, if he have been taught the elements of mathematics, he will be much more likely to make a good machinist. If he have been taught the nature of plants and animals, and the best modes of cultivation, and the principles on which these things depend, he will be much more likely to make a scientific farmer. He who has some knowledge, in youth, of geography and the productions of the earth, will be much more

likely to make an intelligent merchant. And we see, that it is important that this knowledge be acquired in youth, for, after men grow up, they are not so likely to commence the study of a new science, nor have they generally the time necessary to devote to it.

Hence, we see the importance of having some higher schools than those which I have mentioned, in which those who choose, may learn something of these several branches of knowledge. Those young persons who have gone through the lower school, and who wish for more knowledge, might here be able to obtain it. On the other hand, those who were careless about their studies, and did not wish for any more knowledge, might go to their several branches of business with what they have already obtained. These additional advantages would be a very suitable reward for diligent, studious and well-behaved young persons, and would greatly assist such persons to make their way in the world. It would, also, tend very greatly to open the road to distinction and wealth to all those who were deserving of them, and would enable the poor to rise to eminence as well as the rich, if they only were disposed to avail themselves of the advantages offered them.

Hence, we see that all persons, but *especially* the poor, should be in favor of public schools, both common and scientific. And they should be willing to pay their proportion of the expense necessary to support them. No man, unless he be an absolute beggar, should expect or wish to receive an education, any more than a loaf of bread, for nothing. By paying what he is able, he may enjoy, freely, the advantages of education as well as the rich; while for this education he pays much less than the rich, who derive no more advantage from it than himself. Any man, whether he be poor or rich, must be very unwise, who does not wish every other man in his country to be as well educated as the circumstances of his case will allow; and he is very unwise, and very penurious, and very selfish, and very short-sighted, if he be not willing to pay his fair and full proportion towards rendering the means of an education as universal and as good as possible.

And, now, if we look back upon what we have said, it will be readily seen, that the principles which we have explained lead us to the following conclusions.

1. Nothing that is of any value on earth can be procured without labor.

2. Labor, to be of any benefit, must be directed by knowledge. Were a man to la-

bor ever so hard to make a house, he would not succeed unless he *knew how* to make it. Hence, the importance of education in order to *profitable* labor.

3. God has placed abundant rewards before men, to excite them to labor, and abundant penalties to deter them from idleness. And there is reason to think that these rewards and punishments, if left to themselves, will be sufficient to make men industrious.

4. In order to do this, it is important that every man be allowed to earn as much as he honestly can, that is, to improve his condition in the best way that he is able; and, that, after he has done this, he be allowed to use what he has gained in just such way as he thinks will make him the happiest, that is, provided he does not interfere with the rights of any one else.

5. But while it is important that every man should have all that he has earned, it is equally important that he should have nothing unless he have earned it.

6. And, lastly, that every man may know both how to labor to the best advantage, and also how to improve his condition as much as possible by the results of his labor, it is important that every man shall have as much education as possible.

The nearer a community adopt these principles, the more industrious and happy will they be.

Hence, we see the importance to every country both of virtue and intelligence.

If men be virtuous, they will, of course, be honest; that is, they will let alone whatever belongs to their neighbor, and they will, of course, be willing to labor for every thing which they want themselves. Hence, we see the benefit of all the means which we use in order to make men religious; for, if they be really religious, they will, of course, be both virtuous and honest. And, if men be intelligent, they will know how to labor to the best advantage, that is, with the least toil, and at the smallest expense, to procure the greatest amount of the means of human happiness.

EXERCISES.

1. Suppose you were cast upon an island inhabited by savages, who were poor and indolent, though their soil and climate were good, what would be the first means which you would take in order to render them industrious?

2. Suppose they were vicious, and quarrelsome, and dishonest, what effect would

this have upon their prosperity? Can you illustrate this?

3. What means would you adopt in order to improve them?

4. Suppose that you lived in a town in the United States, in which the people were ignorant, vicious, dishonest, intemperate and very poor, and you desired to see them comfortable and independent; what means would you use? Can you tell the proper means and explain the way in which they would produce a change?

5. Explain the various ways in which knowledge would be advantageous to an apprentice, to a common sailor, to a common workman, and to a clerk.

6. What is the difference between a man who performs any trade understanding all the principles of the process, and one who performs it without knowing any thing about the principles?

7. Can you mention the names of any other persons, besides those mentioned in the book, who have arisen from inferior situations to great eminence simply by knowledge and by their own exertions? Do you know any such persons of your own acquaintance?

8. Who are the most specially benefited by public schools, the poor or the rich?

9. Are such schools of any benefit to the rich? If they are, explain how this benefit arises.

10. What should we think of poor persons, or of persons in moderate circumstances, who were opposed to public schools?

11. Suppose there were two men of equal strength; one of them a well-informed and intelligent man, who knew how to do a great many things, the other ignorant, and knowing how to do nothing but the simplest labor; which of them would earn the highest wages? Why?

12. How much would the wages of one exceed the other per day?

13. How much is this per year?

14. Is it not wise for a boy to spend a few years in study, for the sake of earning so much more a year when he comes to be a man?

15. What opportunity has the ignorant man of rising in his profession, and of becoming a rich man?

16. What need prevent the intelligent man from rising and becoming rich, if he be industrious and virtuous?

17. Is it not worth while for a young person to gain knowledge for the sake of this advantage?

18. Suppose, however, a man be vicious

or dishonest, though he be ever so intelligent, can he expect to succeed, or will he ever be happy?

19. What are the rules which a young person should follow, if he wish to be rich, happy and respected?

PART II.

OF EXCHANGE.

We have, thus far, considered production; and the means by which, with a given amount of labor, production may be increased. But, were this all, the happiness of man would be but in a small degree increased. Were a man to make every thing for himself, or, what is the same thing, have nothing but what he could make for himself, though his labor were ever so productive, he would enjoy but very few comforts. Though a farmer, instead of raising a hundred bushels of wheat, could raise three hundred bushels, yet if he did not need for his own consumption more than a hundred, and could not procure any thing else with his additional two hundred, he would be no better off than before; but might as well suffer this additional product to rot upon the ground. His additional labor would bring him no additional advantage, and hence, there would be no

encouragement to labor. But, as soon as he is able to exchange this two hundred bushels more than he can use himself, for some other things which he wants, his additional labor brings with it a corresponding reward; and additional productiveness of labor brings with it additional comforts and conveniences. Of so great advantage to mankind is exchange. And, hence, it will be seen, that the prosperity of a country, its wealth and its industry, are very much in proportion to its facilities for exchange. Thus, we see that no country can easily grow rich without good harbors on its coast, good roads or canals in its interior, and that its advantages are greatly increased, when it is so fortunate as to be penetrated in many directions by navigable rivers. We shall now proceed to consider the nature and principal laws of Exchange.

CHAPTER I.

OF THE FACTS IN OUR CONSTITUTION WHICH RENDER EXCHANGE UNIVERSALLY NECESSARY; AND THE LIMIT TO THAT NECESSITY.

1. It is a well-known fact, that labor is necessary in order to render any thing valuable. Every thing valuable around us will, if we reflect, be seen to be the result of the labor of some one. And we have also seen, that he who has labored has, by means of his labor, acquired a right to the value which he has created. By this, we mean that he has a right to do with it just what he pleases.

2. It is also the fact that every man seems disposed to pursue some one kind of occupation in preference to another. One man chooses to be a sailor, another a farmer, another a mechanic, another a manufacturer, and another a merchant. And, we also see, that these different men seem each one to be the best adapted to that kind of business which each one has chosen. And we know that by the principles of division of labor, there will be a much larger amount of product created when every individual has a

separate employment, than when every man is obliged to divide his time between a dozen employments.

3. But while every man is thus intended to labor at one particular employment, and to produce *one* particular thing, every man needs for his comfort and convenience *a thousand* things. Now, as he labors to produce only *one* of these *thousand* things, he must procure all the rest by exchange; hence, in order to gratify his desires, he must make nine hundred and ninety-nine exchanges. By so doing, he is able, by laboring, to produce one kind of value, and then by exchange to supply himself with every kind of value that he wishes. In this manner men are rendered happier, inasmuch as every one is enabled to pursue the occupation that he likes best, and, at the same time, to procure whatever he needs for his happiness. And, moreover, as by this mode, labor is much more productive, every one procures a much larger quantity of what he desires by the same amount of labor.

We thus see, that in order to secure our physical happiness, there is really as great a necessity of *exchange*, as there is of *production*. Indeed, as we have seen, without exchange there would be but very little production. And this we always observe to be the fact. Rude nations, as our western Indians,

have scarcely any exchanges whatever between themselves. They have no roads and no facilities for transportation. It is not until these are established, that nations begin to produce the comforts of life, and to enjoy the blessings of civilization.

And the case is the same with nations. No nation is able to raise within itself one half of the productions necessary to its convenience. It may have, however, peculiar advantages for producing some one or two articles of general necessity. These are commonly called its staples. Now it is for the advantage of a nation, as well as of an individual, to devote itself to the production of that, which *it* can produce in the greatest abundance and with the greatest ease, and then to procure by exchange with other countries, those articles which it needs, but which *they* produce with greater ease and in greater abundance. The benefits in this case are of the same nature as in the other. Each nation labors in that department of production that it chooses, and, at the same time, by so doing it is enabled, in greater abundance, to avail itself of the productions of every other nation.

Of the Natural Limit to Exchange.

To these advantages of exchange there is however a limit, within which exchanges are naturally restricted. This may be easily illustrated. Suppose that I raise wheat, and my neighbor raises corn. If each have special advantages for the creation of his own product, it will be for the advantage of each to procure the product of the other by exchange. But suppose that he charges me an exorbitant price for his corn, so that I can better afford to raise it than to give my wheat in exchange for it, I shall, of course, cease to procure it by exchange, and shall raise it myself. Or, again, suppose that I purchase a piece of land suited for the raising of corn, or discover a peculiar kind of manure, which will enable me to raise it as cheap as he can sell it to me, the exchange will again cease. And, thus, in general, exchange between two individuals will always cease, as soon as either one *is able by his own labor, to produce an article cheaper than he can procure it by exchange.*

And the case is the same with nations. When a community takes possession of a new and uncultivated country, their first products are the animal and vegetable raw ma-

terial which it furnishes. There are neither the men nor the capital to be employed in producing any thing else. It is cheaper for such a community to procure the manufactures which it needs, than to make them for itself. Hence this is the kind of exchange most commonly carried on between two such countries. But, when, in such new country, capital and men begin to increase, a portion of both may be devoted to manufactures. They will, naturally, begin with those which derive the greatest share of their value from transportation, and which require the least outlay in their production. Such, for instance, are all kinds of heavy and bulky iron ware. These lead to the manufacture of others, as capital and inhabitants increase; and, just as fast as the new country becomes able to manufacture for itself, *as cheaply as it can procure any article by exchange*, it will, of course, do it, and the exchange, in that particular article, will from that time cease. As it grows richer, it will be able to manufacture other articles requiring for their production a greater amount of capital. Thus, it will go on until it have introduced all those for which it has natural advantages, and here it will, or here at least it ought to stop; for to go farther will be a disadvantage. The *only reason* for making a thing for itself, in

preference to procuring it by exchange, is, that it can thus procure it *cheaper;* and wherever this reason ceases to exist, it is always better to procure it by exchange.

Since there is so great an amount of exchange which must of necessity be made, it is evident, from what we have said on the subject of division of labor, that there will be a great saving of labor, that is, the labor of the whole society will be much more productive, if some portion of the community devote itself to the business of conducting exchanges. Thus, if there were in a given town a hundred families engaged in the various kinds of production, and requiring for their own convenience a great many exchanges with each other, it would be a great saving of time and labor if some individuals should give up all other business, and employ themselves entirely in the business of exchanging. They would then receive the various products of the different producers, keep them on hand, and offer them in barter to such as wanted them, and they would carry the productions of the town to a city, and exchange them for what might be wanted by their friends at home. It may be easily seen, that such an arrangement would be a great convenience.

Such arrangements are always made wher-

ever men are industrious and frugal, and hence have any thing to exchange. The men who thus employ themselves in exchanges, are called merchants.

Merchants are generally divided into retail and wholesale merchants.

Retail merchants purchase in large quantities of importers, or wholesale merchants, and sell again to consumers in such quantities as they may desire. In doing this, they greatly benefit all parties. The wholesale dealer could not afford to break open a barrel of sugar to sell a pound, unless he charged a very high price for his trouble. The consumer could not afford to purchase a bag of coffee, or a barrel of sugar, or a whole piece of broadcloth. And besides, a man is rarely a judge of the goods he wishes to purchase, and it is much better for him to use the skill of a good judge, than to attempt to judge for himself.

The *wholesale merchant* imports in large quantities from abroad, or purchases in large quantities from the manufacturer at home, and sells to the retail merchant, who, as we have said, sells to the consumer. The importance of this kind of labor in exchange is as evident as the other. The retail merchant could not import from abroad, in so small quantities as he wishes to purchase, unless with much

additional expense. One wholesale merchant could import as much as would supply a large number of retail merchants, and with but very little more labor than would be demanded of every individual who only imported the small quantity which he needed for his own sales.

The interest of the merchant requires that he should buy as cheap as possible, that he may sell as cheap as possible, for the cheaper he sells, the more numerous will be his customers. Hence, the wholesale merchant will export what he can export cheapest, will exchange his export where he can do it the most to his advantage, that is, where he can procure what is most wanted at home, and where he can do it at the lowest rates. So, the retail merchant knows that the better are his goods, and the cheaper the rate at which he sells them, the greater will be the number of his customers, and the greater the number of exchanges which he will be able to make in a year.

Hence, we see that the real interest of the merchant and that of the whole community are the same. The retail merchant can become rich in no other way than by purchasing as cheap as he can, that he may be able to sell as cheap as he can; for if he sell dearer than his neighbors, no one will buy

of him. And, so, the wholesale merchant can grow rich in no other way, than by sending abroad what is cheapest at home, that is, what is least wanted here, and bringing back what is dearest at home, that is, what is most wanted here. Thus, we see that if merchants conduct their business correctly, they cannot grow rich in any other manner, than by doing a real service to all the community in which they live.

EXERCISES.

1. What would be the condition of the town in which you live, if all men were mere producers, and there were no exchange? Will you describe it?

2. What would be the condition of this country, if there were no roads, no rivers, no boats, ships or steam-boats, no wagons, and no means for facilitating exchange?

3. What is the reason for supposing that every man is designed to labor in the production of *one* thing in preference to laboring in the production of *several* things?

4. What is the reason for supposing that every man is designed to use the productions of other men besides his own?

5. Illustrate by several cases the manner in which these two designs are accomplished.

6. What is the reason for supposing that different nations were designed to labor in different kinds of productions?

7. What is the reason why we suppose that they were intended to exchange them with each other?

8. Are there any *moral* benefits resulting from this exchange between individuals and nations? If any, what are they?

9. Do not people and nations thus become *dependent* upon each other? Is this an advantage or a disadvantage?

10. Which is the more independent, a citizen of the United States, or a Hottentot of South Africa? Which is in the more favorable circumstances?

11. Explain, by a case, the natural limit of exchange between individuals.

12. Explain, in the same manner, the natural limit of exchange between nations.

13. Is there any necessity of attempting to do any thing either to hasten or retard the time at which a nation will cease to exchange any given product with another?

14. What would be the condition of the town, in which you live, if there were no merchants? Can you describe it?

15. Would the articles of living be then dearer or cheaper? What would be the reason of the difference?

16. How should we do when we wanted any thing which we could not make ourselves, if there were no retail merchants?

17. How should we do if there were no wholesale merchants?

18. Do merchants, that is, exchangers, really *produce* any thing?

19. How is it then that their labors are so beneficial to a country?

20. Can the real interests of the merchant be separated from those of the manufacturer or farmer?

21. When will mercantile business be the most profitable in a country, and when the reverse?

CHAPTER II.

SOME OF THE PRINCIPAL FACTS IN REGARD TO EXCHANGE.

1. In making exchanges with each other, men proceed upon the principle of exchanging labor for labor. What men can procure without labor they will give away without demanding labor for it. What they have to labor a *day* in order to procure, they will not exchange for any thing which they could procure by laboring *half* a day. And, thus, in general, when one product costs more than another, it is because it requires either more labor or more skilful labor than the other to produce it.

Here, however, we should always bear in mind the nature and effect of accumulated labor. If a man labor six months upon a wind-mill, this wind-mill represents the labor and skill of six months accumulated in one machine. If he use this mill for grinding flour, he is entitled not only to the price of his labor per day, but also to remuneration for the *use* of his accumulated labor. Now all machinery, all fixed capital of every

kind, rail-roads, canals, &c., are so many forms of accumulated labor. And it is manifest, that for the use of this labor, as well as for the daily labor by which it is put into operation, the owner is entitled to a fair remuneration. And, also, it is evident, that if capital be left free and unincumbered, this kind of labor will, by competition, be brought to yield, like every other capital, no more than its proper and fair recompense.

While this, however, is true in general, it is also true that the exchangeable value of all articles is liable to sudden and limited variations from the variations of supply and demand. In such cases, sometimes an article will bring more, and at other times less than the cost of the labor necessary to produce it. These, however, never can continue long, and they, in the end, equalize and compensate for each other; so that they do not at all invalidate the general assertion, that when men exchange they exchange on the principle of labor for labor.

2. The exchanger, or merchant, confers no new value on a product, he only saves labor and time to the producer. The article which a merchant buys is not changed in any manner by his labor. He who sells pen-knives, or calicoes, or sugar, or coffee, sells these articles just as he receives them.

And so of the articles which he purchases to export in payment for them. He is nevertheless performing a service of great advantage to the community. Were the farmer, who wanted a scythe, obliged to carry his wheat to the *scythe manufacturer* and exchange it himself, his scythe would cost ten times what it costs at present. The case is still stronger, if he were obliged to go to Sheffield or Manchester to procure the hardware which he wanted. Hence, although the merchant does not himself add any new value to his wares, yet, by reducing the cost at which they must otherwise necessarily be procured, he does as great service to the community as those who actually produce. He enables other persons to produce twice as much as they would be able to produce otherwise, and this is the same thing to the community as though he were the producer himself.

3. Hence, it will be seen that the more rapidly exchanges are made, the better it will be for the merchant and for the community. It will be the better for the *merchant*, because he thus, with the same capital, makes a greater number of exchanges in a given time, and thus makes a greater annual profit, while he charges a smaller advance upon each exchange. And hence it is better for the *community*, because the less the

advance which he charges, the less is the price which they are obliged to pay for what they purchase. Thus we see, that in prosperous times trade is brisk, that is, exchanges are made rapidly, and with the greatest advantage to both parties.

4. There are three circumstances on which the frequency and infrequency of exchanges depend.

1. *The intelligence of a people.* Every one has a desire for the various means of happiness which God has spread around him, if he know what they are, and how he shall obtain them. Every one who has read the voyages of the early navigators, must have seen how eager the inhabitants of the newly-discovered islands were to exchange, as soon as they beheld the various instruments, and tools, and ornaments of civilized men. And, thus, we see that newspapers, travelling, and all the means by which information is circulated, have a great effect in increasing the desire of men to improve their condition by means of exchange; and that they are thus induced to labor more industriously, in order to procure something to offer in exchange for what they want.

2. *Productiveness of industry.* It is not enough that a man be desirous to exchange; he cannot gratify that desire unless he be able

to offer something to the other party which will be accepted in barter. If I desire a barrel of flour ever so much, I can never obtain it, unless I am able to offer to the flour merchant something which he will accept in exchange for his flour. Thus every one knows that a rich man is able to make a great many more exchanges in a year than a poor man. A laborer who earns high wages, can make many more exchanges in a year, than a laborer who earns but low wages. A farmer buys many more articles of comfort, that is, makes many more exchanges, in a productive than in an unproductive season. And thus, in general, every one must see that a rich country makes more exchanges, both internal and external, than a poor country; a prosperous, than a declining country; and the same country, in a period of successful, than in a period of unsuccessful, industry.

3. *Moral character.* Men do not always exchange their products at the same instant; but one or the other frequently waits some time for the return which he is to receive in exchange for his product. This gives rise to a liability to dishonesty. And, besides, where men are dishonest, they will frequently cheat each other in the quantity or the quality of the article which they offer in exchange.

Now where these liabilities exist, they will greatly lessen the number of exchanges. No one, who can help it, will have any dealings with a rogue. Hence, when men are disposed to be rogues, exchanges will diminish. Laws are made to oblige rogues to act like honest men; hence, when laws are just, and are well administered, exchanges will be more frequent than when they are unjust, partial, and unfairly administered. But every one must see, that on the moral character of a people, not only their personal honesty, but also the goodness of their laws, depends. Hence, we see that morality and religion are of the greatest importance, not only to success in production, but also to success in exchanges.

And the same principles apply to our exchanges with foreigners. If we treat them justly and kindly, and allow them all reasonable means for enforcing their rights, they will come and exchange their products for ours, in preference to going to another country where they would be less favorably treated. Thus we shall be able to procure, on the most favorable terms, whatever we need from other nations; and, in this manner, reap the richest reward for our industry and moral character. A selfish, exclusive policy is as self-destructive a policy for nations, as it is for individuals.

And, if this be the case, we shall easily

determine what are the causes which naturally diminish the frequency of exchanges, or produce a stagnation of business.

If the *desire* for any particular product diminish, the *demand* for it will diminish; hence, those who produce it, and those who keep it for sale, will be unable to sell it. Thus, the changes in fashion frequently destroy, in a short time, the entire demand for an article, which, a year ago, was in vogue. Or, the diminution of the intelligence of a country will, in due time, produce the same effect in exchanges generally.

The diminution of production during a single year will produce the same effect for that year; and oppression, heavy taxation, or any thing which interferes with production, or diminishes the productiveness of human industry, will accomplish the same result permanently.

And, hence, we see that as a nation becomes vicious, unjust or oppressive, such moral deterioration must produce a diminution of exchanges in the same manner as it interrupts all other kinds of industry. And, hence, we see that success in exchange, as well as success in production, depends mainly upon the intellectual and moral character of a people.

From what has been said, it will be easy

to perceive, in what manner a government can best *promote* the business of exchange. It is by promoting the intelligence and virtue of a people, by giving every facility for the increase of the productiveness of industry; by encouraging, in every suitable manner, the establishment of roads, canals, rail-roads, and means of internal communication; by rendering its harbors and coasts as easy of access as possible; and by giving to foreigners every reasonable facility for the transaction of their business when they come amongst us.

And, we see, also, what measures are, in their nature, most likely to *diminish* the number of exchanges. Such are duties on imports, or, in other words, adding to the price of every foreign commodity offered in exchange, obstructing the means of intelligence, refusing the necessary facilities for constructing means of internal communication, imposing unnecessary disabilities upon foreigners, neglecting the condition of harbors and coasts, and, in general, any course of measures by which the article offered in exchange is rendered more expensive, or by which the person, who comes among us for the purposes of exchange, is denied any reasonable means for seeking his own interest or happiness.

EXERCISES.

1. What is the reason that you pay more in New-York for a bushel of coffee than for a bushel of wheat? Why more for an ounce of gold than for an ounce of silver? Why more for an ounce of silver than an ounce of iron?

2. Suppose one man twists cotton with his fingers, and another twists it with a spinning-wheel. Explain the difference of their wages arising from the difference between accumulated and daily labor.

3. One spins on a spinning-wheel, and another on a spinning machine; explain the difference as before.

4. Do articles become cheaper or dearer, as we use more or less of accumulated labor?

5. Is it wise or unwise in society to protect men in the peaceable possession of the results of such labor?

6. What would a pen-knife cost you, if there were no merchant to procure it for you, and you were obliged to procure it for yourself? What would a cup and saucer cost? What would coffee and tea cost?

7. A merchant in one town is worth a thousand dollars, and can sell this amount of products only once in a year; a merchant in

another town is worth the same sum, and can sell this amount of goods four times in a year. Which of these will be able to sell at the lower profit, and of which will the people be able to buy on the better terms? Explain the reason.

8. A wholesale merchant brings a cargo of tea from China, and the whole time consumed in the operation is a year and a half. A retail merchant buys a few chests of tea, and sells it all in a month. Which of these is entitled to the higher profit on a single chest of tea; and why?

9. Of what use to the exchanges of a country is the establishment of a post-office? Why?

10. I have heard of men who were desirous of wars for the purpose of promoting the prosperity of commerce. In what manner can wars benefit the commerce of any country?

11. In a season of scarcity, every thing sells for a great price; is this a profitable season for farmers or other producers?

12. Illustrate the reason why high moral character is useful to the commercial prosperity of a country.

13. The policy of China is exclusive, and considers all foreigners as barbarians who are entitled to no rights, but who are allowed to

come there merely by sufferance. Is this conduct of any advantage to the Chinese laborers, or manufacturers, or merchants?

14. What effect should we expect the low price of cotton goods to have upon the linen manufactures?

15. Show in what respects the principles necessary to successful *production*, are also necessary to successful *exchange*.

16. Has any policy been yet discovered more beneficial to a country than universal justice and universal benevolence?

17. Suppose we vary from this policy, what are the results which will follow?

18. What would be the effect upon the happiness of mankind, if every nation, in its intercourse with other nations, acted upon the principles of the Gospel?

CHAPTER III.

OF EXCHANGES BY MEANS OF A METALLIC CURRENCY, OR MONEY.

SECTION I.

Of the Necessity of a Circulating Medium.

WE have thus far treated of exchange in general, and have shown that it is as necessary to the convenience and happiness of man as production, and that the convenience and happiness of man require that a vast amount of exchange be incessantly carried on. We have also seen, that in this, as well as in the other departments of labor, there is a great gain arising from the division of labor. In this manner, labor is rendered much more productive. But this is not all. We may also use an instrument, by which the productiveness of labor may be still further increased. This instrument is the precious metals, or, as we in this case denominate them, money. We shall, in the first place, illustrate the necessity of some such instrument.

I. Let us suppose that there were no money in use, but that all exchanges were to be made of necessity in kind, that is, article for article.

1. In this case, the producer himself would be obliged to go in search of a purchaser. If a farmer were obliged to carry his wheat, corn, fruit, &c., about the country to find consumers, a large part of his time would be occupied in selling his products.

2. But he not only wants to dispose of his wheat, or rye, or beef, but, also, to procure something else in exchange for it. He must, therefore, not only find a customer who wants wheat, rye, &c., but one who can give him what he wishes in exchange for it. This will require a still longer time, and will, by so much, raise the price of the product, and diminish the profit of the farmer.

3. But, he not only wants to exchange, but to exchange in particular quantities, corresponding to the amount of the articles which he desires in return. This will render the transaction still more impracticable, and will still further raise the price of the articles.

4. But the case is still worse where a man has not *products*, but *labor*, to offer in exchange. In this case, he would not be able to work for the man who would give him the largest share of the product which he created,

that is, the best wages, but must work for him who produced the articles which he wanted for the support of his family. When he wanted shoes, he must work for the shoemaker, when he wanted bread, he must work for the baker, when he wanted beef, he must work for the butcher, and when he wanted a house, what he would do I am unable to say.

5. And, hence, there could be no division of labor. Every man must work at every business; there could be no accumulation of capital, and society must remain in a savage state; as it actually is wherever men are found destitute of a circulating medium, or money.

II. And, now, let us see in what manner all these difficulties are removed as soon as a circulating medium is introduced.

Suppose that men, instead of attempting to perform their exchanges in kind, should find out some substance which was universally desired, and which every man, as soon as he had obtained it, knew that he could exchange for whatever else he needed. It is of no consequence, for the present, what we consider this substance to be. Let it only be one that every one desires, in all quantities, and at all times. It matters not whether it be salt, or iron, or gold, or silver, or copper; if it be universally desired, it will answer a

very important purpose. If this were the case, the farmer would first exchange his products for this substance, and, as every one wanted this substance, he might go at once to any one, and exchange it for whatever he needed. If it were a substance easily divided, he might, by disposing of a part of it, procure just such an amount of whatever he needed, as he might desire.

Still more important would be such a substance to the laborer. He might now labor for whomsoever he pleased. It would be of no consequence whether he wanted or did not want the article which he produced. If he were paid in the substance in general request, he might, by means of it, procure for himself whatever he needed.

And, as soon as such a substance came into universal use, we see that division of labor might be carried to any extent that might be desired. It would make no difference to a laborer whether he made pin heads, or nails, or knife handles, or horse shoes; if he were only paid in the circulating medium, he could, by means of it, procure food, and clothing, and shelter; he might accumulate it and buy for himself a house, and thus might as easily procure for himself all the enjoyments of life, by means of one kind of labor as of another.

The advantages of having such a medium,

or instrument for the purpose of facilitating exchange, are so numerous, and the necessity of having something of this kind is so imperative, that all nations in the least civilized, at a very early period of their history, have made use of some substance to answer this purpose. It is said, that in pastoral nations, cattle and sheep were used for a circulating medium. This, however, would be a very imperfect instrument. At a very early period, as we learn from Genesis xxiii. 16, silver was used as money in Palestine. Brass and iron were used by the Greeks and Romans at first, but these were soon superseded by gold and silver, which are hence denominated the precious metals. These are now used for the purposes of exchange throughout the civilized world.

EXERCISES.

1. In what respect is money like a loom, or a spinning-wheel, or a nail machine?

2. Give a description of an agricultural district into which the use of money had not been introduced.

3. Give a description of a manufacturing district into which the use of money had not been introduced.

4. Suppose that the use of money in any large town were abolished, describe the

change which it would produce in the condition of the inhabitants.

5. What would be the effect upon the poor, of abolishing the use of money?

SECTION II.

Of the Qualities necessary to that which is used as a Circulating Medium.

The all-important qualification of whatever is used as a circulating medium is, that it be universally desired as such. If this be the case, it will accomplish its purpose. Every one will receive it in exchange, and, hence, it will become the universal medium of exchange, that is, it will enable every one, by means of two exchanges instead of one, to perform the labor of exchange not only more perfectly, but also in incomparably less time.

It is an additional advantage when the same substance is desired for the same purpose, not only by one nation, but by all nations that have intercourse with each other. It is sometimes convenient to send the precious metals in exchange as well as other commodities;

and, if the same substances be used for the same purpose, it will greatly facilitate the business of national exchange.

But, while it is the fact, that all that is necessary in order to introduce a substance into use as a circulating medium, is, that it be universally desired as such; yet, it is evident, that men would not universally select any given substance for this purpose, unless it were peculiarly suited for it. Let us then briefly inquire, what are the qualities which would naturally render any substance valuable for this purpose.

1. The cost of producing it should be liable to as little fluctuation as possible. Were silver and gold to vary in this respect like wheat, they could not be used as money. A day's labor in a productive season, will yield three times as much wheat as in a season of scarcity.

2. It should be an article of high price; that is, it should, within a small *bulk*, represent a large amount of labor. Several days' labor are necessary to procure a piece of gold of a few drams in weight. The same number of days' labor would procure as much iron as a man could carry. Hence, we can represent a large amount of labor by a very small piece of gold. This saves great labor in transportation.

3. It should be a substance capable of division without loss of value. The precious stones are very costly, but their value is greatly diminished by division. And when once they have been divided, they cannot again be re-united.

4. It should be of such a nature as to be easily distinguished from every other substance. Its color, and weight, and lustre should be such that any person, at all acquainted with its appearance, could, in an instant, detect a counterfeit.

5. It should be as indestructible as possible. Were it liable to decay, like vegetable or animal productions, no one would be willing to keep it, because its value would depreciate, and, of course, no one would be desirous of receiving much of it in exchange.

6. As we are obliged sometimes to make large, and sometimes small exchanges, it is a matter of convenience to use two substances, the one of a greater cost than the other, so that when one would be too bulky we may use the other, and thus save the labor of unnecessary transportation. These seem to be the principal qualifications which we should require, in any substances which we desired to use in the business of exchange.

Now, silver and gold possess all these qualifications. They are among the most costly

substances with which we are acquainted; the cost of their production is remarkably uniform; they are capable of the most minute division; and after division the separate portions can be re-united without loss; their color and weight are such as readily on inspection to distinguish them from other substances; they are not liable to decay, but will remain for ages with scarcely a perceptible change in value; and they hold such a proportionate value to each other, that the one may readily be used for large and the other for small exchanges. It is not therefore remarkable, that in the earliest periods of civilization, they were selected for this purpose; that the use of them has extended to all nations, and that the demand for them, for this purpose, has been increasing to the present moment.

And, hence, we see that like any other instruments, gold and silver are used as a circulating medium, because they are found to answer the purpose which men desire to accomplish. Men use a spade for the purpose of digging, because they can dig better with it than with any thing else. They use money to facilitate exchanges, because they can thus save most time and labor in exchanging. Men use spades without being commanded by governments to use them, and they used

money before it was ever made a matter of governmental legislation. They would use spades whether a government commanded it or forbade it; and they would use money for the same reason. Hence, we see, that so far as all the important principles in this subject are concerned, the use of money is a matter as truly and as entirely aside from the control of government, as the use of any other instrument. Men use it simply because they find it for their interest to do so, and for no other cause whatever.

EXERCISES.

1. Explain the reason why any thing, which was universally desired for exchange, would answer the purpose of money.

2. Why would not a vegetable substance answer the purpose of money?

3. Suppose that the cost of producing gold and silver was very variable, would it affect their utility as money?

4. It is said that Lycurgus enacted that the money of the Spartans should be made of iron. Was this wise or unwise? The Romans, at one period of their history, used brass for money. Why could we not do the same at present?

5. Why could not pearls and diamonds be used for money?

6. Suppose silver were of the same c
and weight as lead; would this diminish
value as money? Why?

7. Were gold and silver as liable to
as iron, would they be as useful for mon
Why? Give an illustration.

8. What would have been the effect u
the progress of the arts, and of civilization
gold and silver had never been discovered

9. Suppose governments had made no la
respecting money, what effect would it h
had upon the use of silver and gold?

10. Men use spades for their own con
nience and profit, and they use money
the same reason. Is there any differen
between the two cases?

11. What inconveniences would arise fro
using cattle and sheep for a circulating m
dium?

12. Abraham paid for his possession of
burying-place, silver, current money of th
merchant. By what government was th
currency established?

13. Suppose that some substance were
discovered which answered the [illegible] of
exchanges better than [illegible] would
it probably come into common [illegible]

14. Would it require any [illegible]
vernment to induce men [illegible]

SECTION III.

Some of the most important Facts respecting the Use of Money.

1. The exchangeable value of *metallic money* is equal to the exchangeable value of the *article for which it is exchanged.* By this we mean, that, in exchanging wheat, or corn, or iron, for money, we act just as we do in making any other exchange. We really exchange on the principle of labor for labor. If we exchange six ounces of silver for a barrel of flour in New York, it costs as much labor to procure the silver and bring it to New York, as it did to procure the flour and bring it there. It costs about sixteen times as much labor to procure an ounce of gold as an ounce of silver, and we receive only about one sixteenth as much gold as silver in exchange for flour. Iron is procured at vastly less cost than silver, and were iron used as money, we should receive in exchange an amount corresponding to the ease of its production.

Hence, when a man exchanges his product for gold or silver, he knows that he receives an article which possesses a positive and actual natural value, equal to that which he has

parted with, and, hence, since no one can procure it on better terms than he can furnish it, he will always be able to procure for it the same amount of value that it cost him.

2. But while the cost of metallic money, at any one exchange, is equal to the cost of the article for which it is exchanged, only a small proportion of all the values of the community consists of money. A small amount of money is capable of executing a large amount of exchange. The reason of this is evident. *First*, all the articles in a community are not exchanged at the same moment. Hence, the same identical money may perform the same office for an indefinite number of times. And, *secondly*, in many cases, exchanges, especially large exchanges, are made in kind, and, hence only so much money is requisite as may make up the difference in the value of the articles exchanged.

3. If this be the case, it is also evident, that in a given community, requiring a given number of exchanges, a certain amount of *value* in specie must be necessary in order to accomplish these exchanges. I say, a given amount of *value*, because whenever exchanges are made as we have shown, the exchange is made really in value for value. Suppose exchanges to the amount of ten thousand dollars per day are to be made, and the

value of five thousand dollars, or five thousand bushels of wheat, or one thousand hundred weight of sugar, is necessary to execute them. If this amount of value, in the form of money, be devoted to this purpose, it is all the money that is wanted; and a greater value devoted to this purpose could not be used. If the cost of producing specie fell, there might be more *money* in circulation; but its whole *value* would be the same as before, that is, two dollars might represent the same labor or value that one dollar represented before, and then two dollars would perform the exchanges that were before performed by one.

If, however, from any cause, while the cost of precious metals in other places remained the same, a larger amount than was required were brought into this same community, while the exchanges to be performed were not increased, there would be more money than was required, and holders of money would overbid each other in buying what they needed. Prices would rise. Additional articles would be offered in exchange, and, as money was the most plentiful and the cheapest article to be offered, they would receive their payment in money instead of other products. This would continue until the surplus was exhausted, and the amount of money in circulation was reduced to that point, at which it

was simply sufficient to answer the ordinary purposes of exchange.

If, on the contrary, there occurred a great increase of production and a correspondent increase of exchanges, the money formerly employed would be insufficient to accomplish its purpose. Hence, it would rise in value, or, in other words, prices would fall. If products were low, that is, if persons from abroad could procure more in value by offering money in exchange, than by offering any thing else, they would bring it and make their payments in money. In this manner, prices would rise again, that is, the requisite supply of money would be absorbed from the surrounding country.

Thus we see, that, where there is a real abundance of money, that is, a greater amount in value than is needed for the purposes of exchange, it will leave a country, and its place will be supplied by other products until it has arrived at its medium value. On the contrary, when it is scarce, that is, when it holds a higher price than other products, it will flow in from other countries until the deficiency is supplied. In this manner specie is continually passing from one country to another, as, from accidental causes, its value in proportion to other values undergoes variation. And, inasmuch as it is very easily and at

very small cost transported, these inequalities, if left to regulate themselves, very soon produce an equilibrium of value between the precious metals and other products.

4. We see that the annual productions of the earth must, under ordinary circumstances, rapidly increase, and as the means for transportation, both internal and external, are, also, with the progress of civilization, rapidly increasing, it is evident that the amount of exchanges must, every year, be greater and greater. If the amount of metallic money were the same this year that it was ten years since, as the amount of exchanges is so much greater, each exchange must be made with a less amount of money, that is, the price of precious metals would rise, or, in other words, the price of all other products would fall, that is, there would be a gradual fall of prices from year to year.

On the other hand, if there were brought into circulation an amount of precious metals greater than was sufficient to meet the increasing demand for exchange, the price of money would gradually fall, that is, the price of other things would rise. And, thus, in general, when production, and consequently exchange, increase more rapidly than the precious metals, money becomes dear, that is, prices fall; and, on the other hand, when the

precious metals are produced more rapidly than other articles of use, the price of money falls, that is, the price of other things rises. Thus, upon the discovery of the mines of South America, the increase of the precious metals was much more rapid than that of the other productions for which they were to be exchanged. Hence, the money price of all articles rose rapidly, and continued to rise until the troubles in South America diminished the production of the precious metals, and they again began to fall. And thus we see, in general, that the precious metals, or money, are subject to the same laws and liable to the same changes from supply and demand, as any other production; and, that the only reason why their average value is more constant, arises, simply, from the fact, that the cost of their production has, thus far, been more uniform than that of other products. And thus we also see, that the variations in the supply and demand of the precious metals, as of any other products, will, if left alone, regulate itself.

EXERCISES.

1. Why is a yard of broadcloth exchanged for five ounces of silver, and six or eight yards of cotton cloth exchanged for only one ounce?

2. Why is a yard of cotton cloth exchanged for so much less silver now, than it was exchanged for ten or fifteen years since?

3. Suppose mines were discovered from which gold could be procured at as cheap a rate as silver, what effect would this have upon the price of gold?

4. How much gold, in this case, would you receive for a barrel of flour, when flour was at the rate of six ounces of silver per barrel?

5. Suppose sugar were worth five dollars a hundred weight, at present, and from improvements in mining, the quantity of silver in the world were doubled in five years; what would sugar cost in silver at the end of five years?

6. Suppose that the amount of exchanges to be effected were no greater than now, what would be the difference in the value of silver?

7. Suppose, that for any cause, the proportion of the precious metals to other products were increased, what effect would this have upon the price of money and upon the price of other commodities?

8. Suppose, for any reason; that the proportion of the precious metals to other commodities is decreased, what effect will this have upon the price of money and of other commodities?

9. Is cheapness of money of any peculiar advantage, and, if any, what?

10. Is dearness of money, provided there be a sufficient amount in value to accomplish exchanges, any disadvantage?

11. Suppose, that in any particular place, money prices are higher than in the surrounding country, how will the equilibrium be restored?

12. Suppose, that in any particular place, money prices are lower than in the surrounding country, in what manner will the equilibrium be restored?

13. In what essential respect do the precious metals differ from any other products?

SECTION IV.

Of the Nature and Limits of the Agency of Government, in respect to a Specie Circulation.

If the above principles be correct, it will naturally be asked, why should not every one be allowed to make money as well as any thing else, and why should money always be made by government, and bear the

marks of the government upon it; and why should it be a crime for an individual to use these marks?

To these questions, the present section is intended to give an answer.

And, first, let us observe that money is not the only article which has a government mark upon it. Did you never observe that every barrel of flour, or of beef, or of pork, has a mark upon it, designating its quality and the name of the producer? This mark is not put upon it by the maker himself, but by an agent of government, called an *inspector*.

Now, the reason of this is evident. Were every one who buys flour, obliged to try it in order to know its quality, it would take a great deal of time, and waste a great deal of flour. It would be still worse with beef and pork. Hence, it is good economy to appoint some one to perform this examination once for all; and to put such a brand upon it, that every one may know, as soon as he sees it, what sort of flour it is. This saves both time, and labor, and value. And, to render this universal, the government obliges all flour to be inspected, and appoints a person duly qualified to inspect it. It would be of no use to have every one inspect *his own* flour, because since he would be exposed to so great temptation to dishonesty, he might

mix bad flour with good, or put into a barrel a less amount than is required, or, in a hundred ways, cheat the consumer. Hence, we see, that although every one owns his own flour, and although flour is, in every respect, an article of merchandise, yet a great advantage arises from having some mark upon it, by which the buyer may know the quality and the quantity of what he buys, as soon as he sees it.

The case of money is precisely similar. If every one were perfectly honest, and, also, thoroughly acquainted with the manner of working silver and gold, and would make money of uniform size and weight; every one might as well make gold and silver into money as the government. But, inasmuch as *every one* is not *perfectly* honest, if this were allowed, we should be obliged to weigh and test every piece of money that came into our hands, and hence, we should all be obliged to become expert chemists. This would be an interminable business, and would besides give rise to great imposition. Were every one allowed to coin money, it would be as necessary, therefore, that some inspector should stamp it, as that an inspector should brand the barrels of flour. But as this would be making the business unnecessarily complicated, the government appoints inspectors,

or officers of the mint, who both purify and divide accurately all the precious metals that are brought to them, according to the laws made for this purpose, and then put the stamp of the government upon them, by way of certificate that all this has been done. For instance, the dollar is required to contain seventeen pennyweights and six grains of silver. Now whenever we receive a piece of silver, marked "one dollar," with a stamp of the United States upon it, we know that we receive this amount of silver, just as when we buy a barrel of flour properly inspected, we know that we receive a given amount and quality of flour. In both cases, we are saved the trouble of making the examination ourselves, and it is done for us much better than we ourselves could do it.

Thus, suppose a merchant sent a cargo of merchandise to Africa, and exchanged it for gold dust; or a cargo of flour to South America, and exchanged it for silver in bars. He might exchange this gold dust or this silver with any one who wanted it, without having it coined, if he chose; but, then, the purchaser would be obliged to weigh and test it for himself. If, however, the owner preferred to have it in the form of money, he would take it to the mint and they would purify it, and divide it into such pieces as the law di

rects, and stamp it with the mark of the United States, that is, they would coin it for him, and return it to him again. He could then use it as money; that is, every one would take it in payment, without the trouble of testing and weighing it. Thus we see the officers of the mint perform the same duty that is performed by the inspector of flour, or the inspector of beef, or pork, or mackerel.

But, supposing a government thus to assume the business of coining money for individuals, it may be worth our while to inquire, upon what principles they should proceed, in order in the best manner to accomplish this object.

1. They should take every precaution to preserve the coin of uniform *purity*. If they did not do this, there would be no safeguard against imposition, and we should be obliged, after all, to test it ourselves.

2. The pieces of the same denomination should be all of uniform *weight*. Were this otherwise, the same inconvenience would arise as in the former case.

3. It should be divided into pieces of such *size* as will afford the greatest facilities for exchange, and as can be most easily enumerated.

4. It should be of such a *form* as will be

most convenient for counting, and for transportation.

5. It should be so *ornamented* as to present the greatest obstacle to counterfeiting, and should be so far covered with ornament, that no part of it could be fraudulently removed without discovery.

These are the most material circumstances, to which it is proper that a government should attend, so far as a metallic currency is concerned. Men use money in exchange, because of its convenience. They confide the coining of money to the government, in order to increase that convenience. They confide to it the power to do the things above specified, and nothing more. And, if a government do any thing else, not comprehended within the above-named principles, it is tyranny.

Hence, we see that governments have no right to prohibit the exportation of money, or take any other measures in respect to it, from the fact that they *coin* it; any more than they have to interfere with the exportation of flour, or pork, or mackerel, because they *inspect* it.

EXERCISES.

1. What would be the result, if every one coined money for himself? Give an illustration.

2. Suppose that money were coined by individuals, and inspected by an agent, what would be the disadvantages of having such an arrangement?

3. Explain the advantages of confiding this work to the agents of government.

4. Does the confiding of this power to government give them any other power over money?

5. Suppose some of the coin were pure, and some of it impure, what would be the disadvantage?

6. Would not the stamp of the government make it all equally good?

7. Suppose some of it were of half the legal weight, would not the stamp of the government render it of the same value as if it were all of the same size? Why not?

8. Suppose we had pieces of money of various irregular fractions of a dollar, as 93, 76, 49, 33 cents, &c. what would be the disadvantage?

9. Suppose we had our money in the form of small globes like marbles, would it be an advantage or a disadvantage? Why?

10. What is the need of employing the best artists in the country, at very high wages, to make the dies for stamping the pieces of money? Why would they not answer just as well if they were plain?

11. You observe that the edge of most pieces of silver or gold is indented with small marks, called milling; what is the use of this?

CHAPTER IV.

OF EXCHANGE BY MEANS OF A PAPER CURRENCY.

SECTION I.

The Nature of Banks.

WE have thus far considered money simply as metallic currency. But, in this country, and in some others, a great part of the currency is not metallic, but paper money. This paper money seems commonly to answer all the purposes of specie; nay, it would seem that it answered a better purpose, inasmuch as when men are able to receive at the banks either paper or specie at their option, they commonly prefer paper. Almost any one would prefer, in ordinary times, to receive a hundred dollars in good bank notes, to receiving them in silver. Now the reasons of this, and the effects which such a change produces, are to be considered. We shall, in the present chapter, endeavor to explain this subject in as simple a manner as possible.

1. Of Banks as Institutions of *Deposit.*

Suppose there were no banks, and all payments were to be made in specie. In this case, every merchant would be obliged to keep on hand a large amount of specie, in order to transact his ordinary business; he would be obliged to occupy much time in counting it, and to employ much labor in transporting it from place to place. In this manner, also, the wear and tear of the specie would be very considerable.

But these inconveniences might be easily obviated by division of labor. Suppose several merchants to unite and employ one person to be a banker for them. They would deposit their specie with him, and when any one of them wished to pay any money, he would merely give to his creditor an order, or check, upon the banker. The banker keeping a regular account with all his customers, would not be obliged to count out the money, but would pass the amount of the check to the credit of the one, and charge it to the account of the other. Thus, merely by writing a few lines, the whole transaction would be settled. This would save a vast amount, both of time and labor, and enable one person to perform with ease, the work which must otherwise be done by fifty or a hundred. It may also be easily seen, that, if

there were several banks which did business with each other, receiving checks on each other in payment, this convenience would be still further increased. In this respect banks, as institutions of deposit, are of the same use to a community as any other labor-saving machines.

2. But banks are also established for the purpose of *loaning money*. The way in which this is accomplished is this. Suppose fifty persons have each a thousand dollars, which they are desirous of loaning. They have, however, but little time to attend to it themselves, and they do not know the persons who wish to borrow; nor, if they knew the persons, are they acquainted with their circumstances. Now it would be a convenience to both parties, if some persons were to receive this money, loan it to responsible individuals, collect the interest and pay it to the owners. For this labor they would, of course, receive a fair remuneration, but they would save to the owners of the money vastly more in time, and labor, and risk, than the cost of their remuneration.

The way in which this is generally accomplished is this. If a bank is to be established to loan a hundred thousand dollars, this whole sum is divided, say, for instance, into a thousand portions of a hundred dollars

each. Any one then engages to take as many of these portions, called shares, as he pleases. If he wishes to employ a thousand dollars, he takes ten shares. The owners of shares pay in their money, and when it is all paid in, there are a hundred thousand dollars collected, and ready to be loaned to any one who wishes to borrow. At regular times, the profits are divided, and are called *dividends*. The shares are called *stock*. If a man wishes to withdraw any of the money which he has thus invested in the bank, he finds some one who will purchase his shares or stock, and then, this other person becomes the stockholder, or, in other words, he puts into the common fund as much as the other took out. This transfer, or sale of stock, is taking place every day in places where banks or any other such companies are established.

Suppose a bank were thus established, and you wished to borrow a thousand dollars. The bank would give you either a thousand dollars in specie, or in its own bills, payable in specie, on demand. If the bills were every where as good as specie, you would prefer them on account of their lightness, less bulk, and general convenience. Most other persons would do the same. Hence, in a short time, the bank would have

in circulation as much paper as it had specie in its vaults. In other words, almost all the money in actual circulation would be paper instead of specie. Thus, the banks would, in fact, have substituted paper money for metallic money.

And it is easy to see that these bills *may be* equally as good and as safe as specie. Suppose a bank were established with a capital of a hundred thousand dollars in specie, and that it commenced with this sum in its vaults. Were it now to loan to good individuals a hundred thousand dollars of its bills, it would receive in return for these bills, notes from its customers of an equal amount, that is, a hundred thousand dollars. But it still retains the hundred thousand dollars of specie, hence, it has a security against loss to the holders of its bills, amounting to two hundred thousand dollars, that is, a hundred thousand in specie, and a hundred thousand in good notes of individuals, that is, it has a security of two to one. So that if all its specie were stolen, its notes, if good, would redeem the bills in circulation. If all its debtors failed, the specie would also redeem them.

But it may be perfectly safe without so great a security. Its bills can never all be *presented at once*, hence it need not have always on hand enough specie to *pay them*

all at once. Its debtors cannot *all* be expected to fail, hence, some reliance may be placed upon the payment of their notes in order to enable it to meet the demands that may be made against it. Hence, it will be safe, if it have always such an amount of specie in its possession as will enable it to meet every demand that may be made; and a sufficient capital to insure the holder of the note against any loss from the failure of the debtors of the bank. If these conditions be observed, the bills of the bank will always be as good, in payment of debts, as specie. And, besides, if this be done, it is evident that a large portion of the specie will become useless, since its place has been supplied by another kind of currency, that is, paper. Hence, suppose there were wanted in every country twenty millions of dollars to accomplish its exchanges, if the exchanges were made with paper instead of specie, there would be wanted not this amount of specie, but only so much specie as would be sufficient to render the paper equivalent to specie; that is, to redeem it on demand. Thus, the whole twenty millions might consist, in fact, of five millions of specie and fifteen millions of paper. And this, as we have seen, might be made to answer the same purpose as twenty millions of specie.

EXERCISES.

1. Suppose in a given town there were no banks and no paper money; explain the conveniences and inconveniences of such an arrangement.

2. Suppose there were neither banks nor bankers to conduct the exchange between different towns, what inconveniences would result?

3. Explain the manner in which banks, as institutions of deposit and exchange, remove these inconveniences.

4. What do you mean by giving a check on a bank?

5. Why cannot every person give a check on a bank?

6. What is the convenience arising from making payments in checks, instead of paying directly in money?

7. Why is there more money to be loaned when a bank is established than when there is none?

8. Suppose you and fifty of your friends were about to establish a bank; how would you proceed?

9. Why could you not establish a bank without money?

10. Suppose you had bought a thousand dollars worth of bank stock, and you wished

to-morrow to buy some land with it; how would you withdraw it?

11. Why do people generally prefer paper money, if it be good, to specie?

12. Suppose this money, however, would not be redeemed in specie, which should you prefer?

13. What would the paper be worth, if you could not procure specie for it?

14. What must be the condition of a bank, in order to render its paper perfectly safe?

15. May a currency be perfectly safe which consists partly of paper and partly of specie? Explain how this can be.

16. Do banks increase the capital of a country?

SECTION II.

Of the Utility of Banks.

In the preceding section I have endeavored to illustrate the nature of banks, as institutions of deposit and exchange; as institutions of loan, and as institutions of circulation, that is, as furnishing in fact, the circulating medium of a country. In the present section, I shall

attempt to show their utility in each of these respects.

1. *Of the utility of banks, as institutions of deposit and exchange.*

In this respect, as I have before remarked, banks are merely institutions for the saving of labor. Were there no banks of deposit, every man must be his own cashier, that is, must count every dollar which he received and paid out, and he must keep a bank in his own house or store. But if several men put their money together, and keep it all in one place, one person can very easily do all this for them. The banker keeps an account of how much every one puts in, and of how much he draws out, and thus, every man knows exactly how much he has in the bank without the trouble of counting, and he is never under the necessity of counting, unless he wishes to take money out for the purpose of paying some one who has no account at the bank. But, between persons who keep their accounts at the same bank, there would be scarcely any necessity of counting at all, except when money was at first deposited or at last removed.

And if banks kept accounts with each other, the same convenience would be farther extended. In this case, they would be able, by exchanging checks and drafts with each

other, to settle the business of their customers without counting. In this manner, several banks might serve the same purpose as one large bank; and would, in some respects, be even more convenient.

This saving of time and labor is a matter of very great importance in a commercial community. Without it, at the present day, it is impossible to conceive in what manner the pecuniary transactions of a large commercial city could be effected.

2. *The utility of banks, as institutions of loan.*

Every one must see that it is of very great consequence to a young tradesman or mechanic, to be able to procure a small amount of capital to commence business with. A poor widow, who is unable to labor, if she can only borrow a few hundred dollars with which to purchase threads and needles, tapes, cloth, &c. sufficient to furnish a little shop, can, frequently, not only pay the interest of the money, but also support her family, and, in a few years, pay off the whole debt and have her stock in trade all her own. A skilful and industrious mechanic, who is able to perform any part of his trade, if he have no capital, must work at journeyman's wages; and thus, although he may be able to earn a comfortable living, will have but a poor

chance to get forward in the world. If he can borrow a few hundred dollars with which to purchase tools and stock, he can easily set up for himself, and thus render his labor far more productive. He will be able, not only to pay interest for his borrowed money, but, if he be frugal, will soon be able to pay it all back, and to go on increasing until he becomes a rich man. The case is the same with a young merchant. If he can procure no capital, he must be all his lifetime a clerk, and will earn nothing but clerk's wages. But if he can obtain capital, even though it be but a little, he may open a store, and will thus have an opportunity of becoming rich.

Nor is this all. Supposing a young man to have entered upon business, he will frequently find, if he have established himself in a good situation, that he could profitably do more business than he is able to do upon his present capital. If he can borrow a sum of money in order to enable him to extend his business, he can afford to pay interest for the money, and realize a handsome profit besides.

Hence I think it evident that it must be greatly for the benefit of the industrious classes, for such arrangements to be made, that they may, as extensively as possible, have the benefit of the use of capital. By

thus doing, every one will be enabled to employ his industry and skill to the best advantage, and will thus be enabled, in the best manner, both to benefit himself and to increase the means of happiness of others.

But, on the other hand, there are many pesons who possess considerable amounts of capital, who cannot, without great inconvenience, devote their attention to the business of loaning it. Sometimes a man in business has more capital than he wishes to employ in his particular occupation, and would be willing to lend it, but he does not know who wishes to borrow it; and those who wish to borrow it, do not know that he is willing to lend it. Hence, this capital remains, for a long time, doing no good to either party, from their ignorance of the wishes of each other.

Again, much capital is in the hands of widows and minors, who know nothing respecting the business of loaning, and who, if they could not lend it, and live upon the interest, must live upon the principal. Hence, they would soon come to poverty, and this capital would be wasted.

Besides this, there is a very large class of persons who are paid for their labor simply; such as journeymen, day laborers, lawyers, physicians, clergymen and various other per-

sons, who cannot employ their surplus earnings in the business in which they are engaged. To such persons, it would be a great advantage if they were able to collect their earnings, from time to time, where they would both be kept safely, and yield an annual interest.

Now if we reflect for a moment, we must see that the amount of capital in the hands of such persons must amount to a very large aggregate sum. To such persons themselves, it must be a matter of great importance to render their capital as productive as possible. To the community at large, it must be of great importance to have this capital employed, because, by means of it, if it be judiciously loaned, a great number of industrious persons may be furnished with the means of improving their condition, and of thus becoming vastly more useful members of society.

Now, banks, as institutions of loan, enable both of these classes to be of service to each other. First, they furnish a place in which all these portions of capital, which would otherwise be useless, are collected and loaned to advantage. If a man have a hundred dollars to spare, he may buy a share worth a hundred dollars in a bank, and his money is immediately at interest, and it con-

tinues at interest until he withdraws it, that is, until he sells his share. In this manner, every person of every amount of property, and in whatever business, is able, at once, to put his money at interest, and keep it at interest as long as he pleases. The amount of capital that is thus saved is almost incalculable.

But, in the second place, banks having collected this money, it is at once known where money may be borrowed. Hence, he who wishes to procure it, is not obliged to waste his time in inquiry, but may immediately go to the place where loans may be had. Any young man of good character and industrious habits, who can procure endorsers, or persons who are willing to insure the payment of his note, may thus be enabled to procure loans, by which he may carry on his business. Or, if he be not able to do this, the bank enables it to be done in another way. If the bank loan the wholesale dealer, the wholesale dealer is enabled to furnish the retail dealer with stock on credit, and thus he is enabled, with the same result, to accomplish his purpose.

In this manner, banks enable all the capital in a country to come into use, and enable those who need it to obtain the use of it. How greatly this must tend to increase the productiveness of a country, and how greatly it must

tend to improve the condition of the skilful and industrious, it is unnecessary to explain. And, hence, we must all see the unreasonableness of the prejudice often entertained against *banks*, simply as *banks*. A bank may be badly managed, or the directors of a bank may be dishonest, and so may men in any other occupation. But this is no more a reason why we should have no banks, than it would be why we should have no houses, because carpenters, as well as other men, may sometimes cheat us.

3. *Of the utility of banks as institutions of circulation;* that is, of the benefit arising from the substitution of paper for specie, as the circulating medium of a country.

The benefits in this respect are chiefly these. First, paper money is more convenient. It can be transported with less labor and less risk. It is not so easily stolen, and, if stolen, it is more easily identified and recovered. For this reason, it is so much more generally used, so long as it retains its *par value*, that is, so long as it is at any moment exchangeable for the specie, which it represents.

But, secondly, it is more economical. Suppose, as I have said before, that twenty millions value be required to accomplish the exchanges of a country; and that this can be

done by five millions of specie and fifteen millions of paper, we then use an instrument that costs five millions instead of one that costs twenty millions, that is, we gain fifteen millions by the use of paper. This fifteen millions may be sent abroad in exchange for other commodities, will employ a large amount of labor, and will add just the same as any other fifteen millions to the annual productions of a country. It is just the same as if a manufacturer owned an instrument worth twenty dollars, which he sold for this sum, and bought an instrument for five dollars which would answer the same purpose. He would then have fifteen dollars which he might devote to other improvements, or which he might employ in otherwise enlarging his business.

The *manner* in which this exchange takes place deserves to be considered. It is briefly as follows. I have already remarked, that, in order to accomplish the exchanges of a given community, a certain amount of value is required, and that no more than this value can be employed. If a greater amount of currency be employed, the value of the whole of it will remain the same, and, of course, that of the portions of it will be relatively diminished. That is, if only a thousand dollars are needed, and we employ two thousand, the

whole two thousand will be worth no more than one thousand.

Now, it matters not what the currency is, whether paper or specie, the same result follows. If the necessary amount be twenty millions of specie, and we add twenty millions of paper, of the same value as specie, we have forty millions of currency. This must reduce its relative value, and money will be the cheapest article in the market. It will, therefore, be exported. But as we cannot export the paper, the exportation must be in specie, and, hence, it will leave the country until the equilibrium is restored; that is, until the price of money bears its natural relation to the other products for which it is exchanged. In this manner, we find that as soon as paper money comes into use, metallic money is exported, and the currency of a country becomes mixed, that is, it is commonly paper, with only sufficient specie to give to the paper its par value, that is, to render every paper dollar redeemable on demand in specie. And, so long as the paper and the metallic money bear this proportion to each other, a currency may be chiefly paper, and yet be perfectly sound, and accomplish the purposes of exchange in many respects better than specie, and at a considerably less expense.

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banks receive on deposit from laboring persons fourteen millions sterling, for which they pay interest, and loan it out again at interest, to those who need it. Explain the advantage of this arrangement to those who loan the money to the banks. Fourteen millions sterling is nearly seventy millions of dollars.

7. Explain the advantage of this arrangement to those who wish to borrow.

8. Explain the reasons why you prefer paper money to specie if you are travelling, or even in the ordinary transactions of business.

9. Which would be the most convenient to send in payment to New-Orleans, specie or paper money?

10. Explain, in your own language, the reason why paper money is more economical than specie; and show, also, how great this advantage in any case can be made.

11. Explain the reason why when paper money comes into use, a portion of the specie leaves a country in exchange for other products.

12. Why could not all the specie thus be exported?

13. What amount needs to be retained, in order to keep the currency sound?

SECTION III.

The Disadvantages to which a Paper Currency is exposed.

In the preceding section, I have endeavored to explain the benefits of banks to a community. It would be, however, very strange, if against these advantages there were not set over, on the other hand, some serious disadvantages. These require to be considered, that they may, in so far as possible, be guarded against.

The principal disadvantages to which a paper currency is liable, are two, 1st, *Fraud*, and 2d, *Fluctuation*.

1. *Fraud*. A bank bill is not specie, but a promise to pay specie. Now this promise may be forged. In this case, the bill is worth nothing, because the individuals whose name it bears, never made the promise. This renders it incumbent upon the directors of banking institutions to take all possible care to prevent forgery. If they do not take this care, no one will take their bills when they are not forged, and, hence, they will be eventually the greatest sufferers.

But, besides this, a banking company may

issue bills when they have no capital with which to redeem them, or they may loan them to individual stockholders, who are unable to pay their notes. In this case, the public has no guaranty for payment, either in the capital of the bank, or in the notes which the bank holds against individuals. Hence, when payment of its bills is demanded it must fail, and the creditors find that there is nothing with which to redeem its pledges. Here a great loss falls upon the holders of the bills.

This is an evil against which the only securities are, the pecuniary ability and the moral character of the banking company, and such legislative enactments, as impose upon stockholders a just and equitable responsibility, and subject them to such a supervision as will most readily detect fraud.

2. Another disadvantage to which banks are exposed, is *Fluctuation* in the amount, and, of course, in the value of the circulating medium.

We have already seen that the silver and gold have a natural price, which is, the cost of the production of them at the mines. Hence, their price is not liable to much fluctuation, nor within short periods can the relative value which they bear to other products, be subject to great variation. But, it

is evident, that paper money has no natural price by which its production can be regulated. If the institutions which issue paper money, or, in other words, loan their own bills, loan an excessive amount, this will depreciate the value of the whole currency, both specie and paper in the country. As soon as money is the cheapest article, it will be exported, and, as paper cannot be exported; the exportation will be specie. Thus, the country will be left with a much larger amount of paper and a much smaller amount of specie than formerly. This will endanger the safety of banks. In order to save themselves, they will discontinue their loans, and thus, the whole amount of currency, from being excessively plentiful, becomes excessively scarce, that is, the price of money rapidly rises, and persons who made engagements under one condition of the currency, are obliged to meet them under a very different condition. This gives rise to great embarrassments, and frequently to losses and failures, and even, sometimes, to a general crash of mercantile credit.

The remedy to these evils is to be found only in the inculcation of sounder views, and in greater financial skill on the part of merchants and bank directors. If men were content to grow rich somewhat more slowly

they would grow rich much more surely. If they would use their capital within reasonable limits, and transact with it only so much business as it could fairly control, they would be far less liable to lose it. Excessive profits always involve the liability of great risks; as, in a lottery in which there are high prizes, there must be a great proportion of blanks.

Besides this, something could be done to diminish this fluctuation by increasing the proportion which specie must bear to paper in the whole amount of a circulating medium. This could be done by the exclusion of small bills from the circulation. If no bills were issued of a less denomination than five dollars, the amount of metallic money always in use would, probably, be doubled or trebled; and it would be scattered abroad in the hands of all classes of the people. This would render the amount which at any time might be exported, of less relative importance to the whole amount in the country, and would enable the banks to take measures in time, to prevent so great and so ruinous a fluctuation as frequently occurs.

But, with all these disadvantages, the convenience of paper money is found to be so great, that, in all countries where exchanges are multiplied and business is active, it is

very soon to a great extent adopted; and, when once it has been adopted, the currency cannot be brought back again to its former state. Such is the condition of this country. Men, here, manifestly prefer paper money to gold and silver, because, when they may have either, they always choose the former.

Now, such being the fact, the government has nothing to do with *this choice*, any more than with *that* in which men preferred gold and silver to cattle and herds, for a circulating medium. Its only business is, to enact such laws as will enable this circulating medium which the people have chosen, in the best manner to accomplish the purpose for which it is intended. They may take measures to insure its soundness and its convenience. All their acts should be directed to this end, and for this design. If they do more, they interfere with the business of individuals, and, in the end, always injure the circulating medium of a country, and most commonly have sufficient reason to repent of their officiousness.

In conclusion, we see, 1. That exchange is as necessary to the happiness of a country as production; and that, in fact, without it, production would soon, in a great measure, cease.

2. That exchange is always in reality exchange in kind. A man gives what he wants less, in exchange for what he wants more, and the more readily this exchange can be effected, the better it is for all the parties concerned.

3. We also see the manner in which these exchanges can be most successfully accomplished, that is, in which the labor of exchange will be most productive. These are,

1. *By means of division of labor.* In this manner, a portion of the community devote themselves to the labor of making exchanges for the rest. They are called merchants.

2. This labor is greatly facilitated by means of a metallic circulating medium. This instrument enables men to make vastly more numerous exchanges in the same time, and with the same labor.

3. The labor of exchange is rendered yet more productive, by dividing the exchangers themselves, and devoting a part of them to the business of banking. This diminishes the labor of the merchant, and the time requisite to the performance of that labor.

4. By employing paper instead of specie, a much less expensive instrument is made to accomplish the same purpose as a more expensive one; and it is found to be much

more convenient, if properly used, than even the more expensive one itself.

EXERCISES.

1. What means can a bank take to prevent the forgery of its bills?

2. Is it honest or dishonest in a bank to issue bills which are not well guarded against forgery? Why?

3. Suppose a bank without capital to give its bills in exchange for the notes of individuals; what is the real value of these bills?

4. Suppose without capital it issue its bills in exchange for the notes of individuals who are worth nothing; what is the value of its bills?

5. What means can a legislature take to prevent banks from issuing bills, when they have nothing with which to redeem them?

6. Take a single town, and explain in what manner it would be possible for the bank or banks in that town, to cause a great fluctuation in the amount of the circulating medium.

7. Suppose this to be done, does it of necessity imply a dishonest intention?

8. Suppose all the banks in a country should do the same, what would be the result upon the currency of a country?

9. If men are universally anxious to accumulate more rapidly than their capital will admit, is there any remedy to these fluctuations? What can prevent them?

10. Why would the prohibition of the issue of small bills have any effect upon the fluctuations of the currency?

11. Is it possible to have a mixed currency, that is, a currency partly of paper and partly of specie, better for the purposes of exchange, than a currency wholly metallic? What proof is there of this?

12. Do you know which were preferable, generally, the notes of the late United States Bank, or specie? Why should they have been preferred?

PART III.

OF DISTRIBUTION.

We have thus far considered the mode in which wealth is, in the first instance, produced; and in which, in the second instance, the producers are enabled to exchange it with each other.

It is, however, commonly the case that an article of production is not the result of the labor of one man alone, but of several men united. Thus, several men successively unite in producing a barrel of flour. One owns the land, another sows the seed, another reaps the harvest, another owns the mill in which it is ground, another manages the mill for the owner, another makes the barrel in which it is contained, another transports it to market, and another sells it to the consumer. Now, every one of these must be paid out of the barrel of flour when it is purchased by the consumer. That is, the

price of the flour must be so *distributed* among them all, that each one has his just share of the proceeds. The principles on which this is to be done, are considered by political economists under the head of DISTRIBUTION.

As all value is the result of capital and industry, it is manifest that we shall comprehend the whole subject, if we treat of *Wages*, or the price of labor, and *Interest*, or the price of capital. Inasmuch, however, as *Capital in Land* is, in some respects, peculiar, we shall consider it separately under the head of *Rent*, or the price of land.

CHAPTER I.

OF WAGES, OR THE PRICE OF LABOR.

SECTION I.

Of the General Principles by which Wages, or the exchangeable value of Labor, is regulated.

WE have already seen that exchangeable value is the cost of any thing, influenced, moreover, by the effect of supply and demand. We shall, therefore, consider, First, The cost of labor; Secondly, The effect of supply and demand upon it.

1. Of the cost of labor.

Of simple labor. By simple labor, I mean that labor which may be performed by any healthy person without any, or with very trifling, previous education.

But it is evident that no person can continue in health, without food, clothing and shelter. We cannot, therefore, procure the labor of any living thing, without furnishing those necessaries which are required for the

continuance of existence. This is the first thing which enters into the cost of labor.

2. But, besides this, human beings are not qualified to labor until they have attained several years of age. During the period of infancy, they must be supported by the labor of others. Were they not so supported, the whole race of man would, in a few years, perish. The cost of labor must, therefore, be sufficient to sustain not merely the parents, but also the children. And, yet more, men live frequently after they have ceased to be capable of labor. The old must be supported, or they will perish. Hence, the wages of labor should be enough to enable the laborer to lay up something to support him in his old age; or else the wages of his children should be sufficient to maintain him, after he has become unable to maintain himself.

3. While, however, this is the fact, yet it may be observed, that the cost of labor, or the remuneration necessary to accomplish these purposes, will vary in different climates. In warm climates, where vegetable food is principally used, and where very little expenditure is required either for fuel, clothing or shelter, wages would naturally be lower than in cold climates, where the expenditures must of necessity be so much greater. This is, however, equalized by the fact, that warm

climates enervate the system and relax the physical energies, so that while you pay a very small sum for a day's work, you receive a very small amount of labor in return.

Such is the natural cost of simple labor; and it will be generally found, that by this rule that cost is practically adjusted. Whatever may be the condition of the country, the lowest class of laborers earns but simply sufficient to procure the ordinary necessaries of life for the parents and the children.

Of educated labor. But for most of the occupations of life some sort of education is required. No man can be a carpenter, or a blacksmith, or a jeweller, or a physician, or a lawyer, or a clergyman, without being educated for the particular calling which he intends to pursue. Now this education is expensive. It costs both time and money. If a man wish to practise a trade, or a profession, he must spend several years in preparation, or apprenticeship. During the whole of this time he receives no wages, and, frequently, is obliged to pay for tuition. When he has acquired the necessary skill, he is able to perform more valuable labor than before, and he is entitled to a higher compensation. This compensation would naturally and reasonably be adjusted, by a consideration of the time and capital which he has expended in

his education. The longer the time and the greater the expense of his training, the higher ought to be his wages. It is evident that the wages of such labor must be always greater than those of simple labor, otherwise it will not be produced. No man will spend money in educating his son for a calling, which will yield him no higher wages than he could earn without any education.

Such are the principles by which the cost of labor is adjusted. Wages must always be sufficient to support the laborer, and to remunerate him for the expense which must be incurred in acquiring the skill necessary to the practice of his profession.

II. *Of the demand for labor.* We shall consider this under two heads. 1st, The demand for simple labor, and, 2dly, The demand for educated labor.

1. The demand for simple labor, or that which is indispensable to the production of the ordinary necessaries of life, is incessant and universal. Every man requires, either indirectly or directly, the labor which is employed in producing the ordinary articles of consumption for food, clothing and shelter.

But in order to render this labor available, it must be united with capital. Neither labor nor capital can produce any thing alone. Hence, he who possesses capital is always

desirous to unite it with labor, and he who is able to labor, is always desirous to unite that labor with capital. And it is evident, that the larger the amount of capital which a man possesses, the greater will be the amount of labor which he will wish to procure. He who cultivates five hundred acres of land will require a larger number of workmen than he who cultivates but fifty acres. The iron founder, who wishes to manufacture five hundred tons of iron, will require a greater number of workmen than he who wishes to manufacture but fifty tons. And, hence, in general, we see that the greater the amount of capital, the greater will be the number of laborers required, that is, the greater will be the demand for labor.

If the capital of a country be too great for the number of laborers, there will be a competition between capitalists for labor. They will overbid each other, and thus the price of labor will rise. Those of the first class will be insufficient to supply the demand for laborers of this class, and a number of laborers must, therefore, be taken from the second class. And, thus, in succession, every class of laborers will be raised one grade. The price of labor will thus be raised throughout the whole community, the condition of the people will be meliorated, a smaller propor-

tion of children will die, and a larger number of laborers will be reared. If this addition do not supply the deficiency, laborers will immigrate from less favored countries, where the proportion of capital to labor is less.

And, on the contrary, where the proportion of capital to labor is small, there will be a larger number of persons desirous of labor than can find employment. In this case, there will be a competition among laborers for work. They will underbid each other, and thus the price of labor will fall. The case mentioned in the last paragraph will then be reversed, the condition of all the laborers will be rendered worse, and many will either emigrate or starve. Many children and weak and sickly persons will die of the diseases consequent upon hardship and exposure. In this manner, the number of human beings will be reduced, until the supply of labor is adjusted to the amount of capital, and then the price of labor, or wages, will rise again.

Hence, we see that in order to secure the prosperity of a country, it is necessary that its capital should increase with its population. No matter what may be the present condition of a people, if population increase faster than capital, or if capital be stationary, or, specially, if it be diminishing, there must soon arrive a season of great distress among the laboring

classes. There will be more laborers than can find employment.

Hence, we see the great importance of both individual and national frugality. He who squanders away property in useless expenditure, is annihilating the very means by which the honest laborer might earn his subsistence. Thus, also, of nations. The government that wastes property in wars, or in any other form of unprofitable consumption, is diminishing the capital of the country, and scattering the resources which the toils of the people have accumulated. Every dollar thus spent, is the destruction of so much of the means by which the laborers of the country are to be sustained. Suppose a nation be worth a hundred millions of capital, and that the use of all this capital be necessary in order to furnish employment and the means of subsistence to its population. If it spend ten millions in war, that part of its population which was sustained by the use of that ten millions must be unemployed. Or, if this portion be not immediately *thrown out of employment*, and the injury be averaged, the price of wages for *the whole* will be reduced to the amount of this difference; every one will be worse off, and some will be destitute and will starve.

Of the demand for educated labor.

This is substantially dependent upon the same principles. A community needs the services of lawyers, physicians, clergymen, judges, legislators, and men of science. Hence, there will be a demand for these services. If there be a greater number of educated laborers than is required, the price of the wages of such laborers will fall. Under contrary circumstances it will rise.. When the price of educated labor falls so low as not to remunerate the laborer for his skill and education, the supply will be reduced by the fact that men will turn their attention to some other pursuit.

The demand for these different kinds of labor varies with the condition of society. The rich and luxurious have greater demand for medical aid than the poor and abstemious. The progress of society renders titles to land more intricate, and exposes men to greater danger from fraud. Hence, the greater need of the services of those who have devoted themselves to the study of the laws, and who are, therefore, qualified to instruct us how we may avail ourselves of the benefit of law.

III. We next proceed to consider the *supply* of labor, both simple and educated.

The amount of labor in any country de-

pends upon the number of healthy human beings inhabiting it. Hence, the supply of labor will depend chiefly upon those conditions, by which the increase or the continuance of human life is affected. Of these conditions, the most important are the following.

1. The means of living which may be commanded by the laborer. Where wages are low, and the means of living are with difficulty procured by the laboring classes, the increase of population will be small, nay, population may become stationary, or it may even decrease. When a family, with its utmost labor, in health, can barely provide the means of subsistence, they must all suffer greatly in sickness. In such cases, parents or children very frequently die from the want of common conveniences or attentions. And, as sickness is a calamity common to all men, under such circumstances large numbers of the poor must perish. For this reason epidemic diseases, specially those of children, are much more fatal among the poor than among the rich. In countries where the wages of the poor are very low, it is not uncommon to find parents who have had large families almost childless. On the contrary, just in proportion as the laboring classes are enabled to provide themselves with all

the conveniences of living, will the number of children who are reared, be increased.

And, besides, laborers will readily immigrate from other less favored countries, to that in which the condition of the laboring classes is happy and prosperous. In this manner, population will always flow from old to new countries, and from regions where labor is poorly repaid, to those in which it receives a more generous remuneration. Both of these circumstances tend, at present, to increase the population of the United States. The wages of labor are high, the means of living abundant. Those who are willing to labor can always command the necessaries, and, frequently, the conveniences of life, both for themselves and for their families. Hence, a much smaller proportion of children die here than in older countries, and of course, the population is much more rapidly augmented. And, from the same cause, namely, the high price of labor, there is annually a prodigious amount of immigration hither from the older countries of Europe.

2. The next condition necessary to the rapid increase of population, is the moral condition of a people. Vice is always awfully expensive and terribly desolating to human life. It matters not how great be the wages of the laborer; if those wages be spent

in intemperance and profligacy, his family will starve. In this country, almost all the suffering of children is the consequence of the vice of one or both of their parents.

On these two circumstances, therefore, the wages of labor, and his own personal moral habits, does the increase of population chiefly depend. And, as we have before stated, the supply of laborers is as the increase of population.

The same principles in the main govern the supply of educated labor. If the wages of such labor are sufficient to pay for the expenditure of time and capital necessary to the acquisition of the education, such labor will be produced; that is, men will turn their time and talents in this direction. On the contrary, when the remuneration of such labor is inadequate, men will not prepare themselves to perform it, and those already educated, will devote themselves to some other occupation. The supply will thus be reduced so as to correspond with the demand.

EXERCISES.

1. Give illustrations of simple labor.
2. Mention some of the necessaries of life which a laborer must possess in order to labor.

3. Explain why it is that the laborer must earn more than enough to support himself, in order to keep the rate of wages for twenty years the same as at present.

4. Suppose human beings were able to work for two hundred years, what effect would this have upon the rate of wages? Why?

5. Suppose men were able to work but for ten years, what effect would this have on the rate of wages? Why?

6. Explain the difference between the rate of wages in warm and in cold climates. Compare the expenditures of the laborer in one with those of the laborer in the other.

7. A jeweller does not work so hard as a laborer who carries a hod. Why should he receive higher wages?

8. A lawyer does not work with his hands at all; why should he receive higher wages than a carpenter?

9. Mention some of the kinds of labor for which there is an incessant demand.

10. Why is the demand for this kind of labor incessant?

11. Why does a rich man always want to employ laborers, that is, to purchase labor? Show that this is the fact by examples.

12. Why does a rich man employ more laborers than a poor man?

13. What effect has prosperity of business upon the demand for labor?

14. Who suffer most from the stagnation of business, the rich or the poor?

15. Suppose a manufactory owned by a rich man to be burned down, or pulled down by a mob, who would be the greatest sufferers by the disaster?

16. Describe the condition of this country, on the supposition that from bad government, or any other cause, the capital of the country were every year diminished.

17. Suppose the condition of Ireland should be gradually improved, and the laborers be better and better paid; how would this prosperity be manifested?

18. Suppose that the annual increase of the capital in this country were fifty millions of dollars; and that, for twenty years, we spent this whole sum in war; what effect would it have upon the population of the country?

19. Explain the effect of very low wages upon a single poor family.

20. In what countries, and among what classes, was the cholera generally most fatal?

21. Why is there so great a tide of immigration flowing to this country from every country of Europe?

22. From what countries is there the

greatest immigration? What are the reasons of it?

23. What effect, upon the number of inhabitants, is produced by the fertility or sterility of the soil?

24. What effect has the amount of capital in a given country, upon the number of inhabitants which it is capable of maintaining?

25. Could capital enable men to live on a barren rock? How could this be done?

26. What effect will temperance societies have upon the population of a country?

27. How will this effect be exerted upon the capital and the population of a country?

28. Suppose an enterprising man living in a small village should find a hundred thousand dollars in ploughing up a field, to which no owner could be discovered. What effect would this have upon the number of inhabitants of that village?

29. Suppose that a manufactory worth a hundred thousand dollars should be burned up and its owner ruined. What effect would this disaster have on the number of inhabitants of that village?

SECTION II.

Of circumstances which affect the rate of Wages in particular instances.

We have seen that a given amount of capital is necessary in order to furnish employment for an individual laborer. Hence, any given amount of capital directed to any one business, will only furnish employment for a correspondent number of laborers. And, hence, if any portion of the capital now employed in any one kind of business be withdrawn, and devoted to any other kind of business, there will follow a change in the rate of wages in that employment. The wages in the business from which capital is withdrawn, will fall; those in the business to which capital is directed, will rise. Such is the result of all legislative enactments which affect the employment of capital.

But, besides this more general cause, the price of labor in the several professions is affected by various special circumstances. For instance,

1. By the ease or difficulty, the pleasure or pain of the employment, and by the estimation in which it is held by the community.

When any trade is, in its nature unpleasant, men do not like to practise it. Hence, when we wish to employ them, we are obliged to overcome their reluctance by higher wages. When the performance of the labor is pleasant, many persons are willing to engage in it, and, hence, the supply being greater than the demand, the price of the labor falls accordingly.

2. By the skill required in performing the operation.

This results from two causes. First, The greater the skill required, the smaller will be the number able to perform the operation. Hence the supply will be small. And, secondly, the longer will be the time spent in learning to perform it, and, hence, the greater wages will the laborer be entitled to receive.

3. The confidence reposed. In many employments, much reliance must be placed in the moral character, the courage, the discretion and forethought of the agent. But, inasmuch as these qualifications are not frequently found united in the same individual, the number of suitable candidates for such employments is small. Hence, as the supply is commonly less than the demand, the wages in such employments are high. And, inasmuch as those who have a large amount of capital at stake, find it for their interest to

procure such laborers at any price, the wages of such persons will always be much higher than in cases when no such confidence is of necessity reposed.

4. Constancy or inconstancy of employment.

Some kinds of labor furnish incessant employment. Others furnish employment only at intervals. Yet, in the one case as well as in the other, division of labor requires that the laborer devote his whole time to his business. Hence, in the latter case, it is reasonable that for the performance of a particular operation, he should receive a larger remuneration than in the former. We pay more for riding a mile in a hackney coach than for riding a mile in a stage coach, because the employment in the one case is constant, and in the other, inconstant. A large portion of the time of the driver of a hackney coach is consumed in waiting for passengers. For this time we must pay our portion whenever we employ him.

EXERCISES.

1. Suppose that in consequence of legislative enactment, or from any other cause, half the capital now engaged in commerce should be directed to some other employ-

ment; what would be the effect upon the wages of sailors?

2. Suppose the capital thus withdrawn should be devoted to manufactures; what would be the effect upon the wages of manufacturers?

3. What is the principle upon which a legislature is authorized thus to benefit one class of men at the expense of another and equally deserving class?

4. Why are the wages of a laborer who blasts rocks, higher than those of a stone-cutter?

5. Why is the income of a judge less than that of a lawyer of similar talents and skill?

6. Why are the wages of an optician greater than those of a glass-blower?

7. Why does the captain of a vessel receive higher wages than the mates, and the mates than the common sailors?

8. Why does the engineer of a steamer receive higher wages than the fireman?

9. Why does a hair-dresser receive a higher price for the labor of ten minutes than a carpenter?

10. Why do you pay higher wages when you hire a man by the day than when you hire him by the month; and higher when you hire him by the month than by the year?

CHAPTER II.

OF THE PRICE OF MONEY, OR INTEREST.

SECTION I.

Why we pay Interest for the use of Money.

THE first question which arrests our attention in the consideration of this subject, is the following. Why should the use of money have any price at all? As I return to a man the same value which I borrow of him, why should I pay him any thing for having kept it during the interval? This question we shall first attempt to answer.

Every man who labors at any regular employment, possesses two qualities which render his services of value; these are, *strength* and *skill*. The first enables him to execute simple labor, or labor of the cheapest kind; the second, when united with it, enables him to execute educated or higher priced labor. But, in order to perform the latter, he requires tools and materials, that is, capital. Without these, he could perform only simple

labor. Of what use would be the skill of the blacksmith, without a forge and iron? or that of the carpenter, without tools and wood, or that of the spinner, without a spinning-jenny and raw cotton? Without these, they would be all reduced to the necessity of that labor which could be performed with their naked hands.

Suppose now that I am a blacksmith and own a forge, tools and iron, with which I am daily employed, and thus earn the wages both of labor and skill. Were I to loan them to another man for a week, and carry a hod during the mean time, instead of working at my trade, and thus lose the profit of my *skill*, he who thus borrows them of me should surely remunerate me for the use of them. Suppose he borrow them for a year, he should pay me for the same reason. And, if I have the money with which he can purchase them for himself, and I lend it to him, he should pay me just as truly for the money as for the tools and capital, because, if I had not lent it to him, I could have established another forge, which I could have made profitable to myself.

And here we may remark, in general, that when we speak of the loan of money, it is, in reality not money, but other capital that is wanted, and for which we pay interest.

Were a tradesman to keep the money which he borrows locked up in his drawer, it would be worth nothing to him. It can be only of use when it is exchanged for something else, which, being united with labor, will yield a profit. The fact is, that every one, as soon as he procures money exchanges it for tools, or materials, or merchandise. Every one sees that these ought to pay interest, because they are the means of accumulation. Just as much should the money pay interest which is exchanged for them, and for which the owner of the money would have exchanged them, if he had not lent it to another.

Now it very frequently happens, that the ability to labor is possessed by men who have no capital upon which to employ it. And, on the other hand, capital is frequently possessed by men who have neither the skill nor the ability to labor. In such a case, it is manifestly for the interest of both parties to form a copartnership, the one party furnishing the labor and skill, and the other furnishing the capital. By this means, both parties are benefited. The laborer earns the wages of labor and skill, instead of those of simple labor; the capitalist derives an income from his property without diminishing it, instead of being obliged to live upon the principal.

Now this takes place in two ways, both

the same in principle, although the mode in which the arrangement is made is dissimilar.

The first is the case of wages. Here there is virtually a partnership formed between the capitalist and the laborer. The one furnishes the tools and the material, and takes all the risks of the operation, and divides with the laborer the profits, which he pays in the form of wages. These are generally agreed upon at the commencement between the parties, and are the same whether the operation be profitable or unprofitable. This, however, is not always the case. In the whale fishery, the crew of a vessel receive a *pro rata* proportion of the profits in the place of regular wages, and, of course, their remuneration is greater or less according to the success of the voyage.

The second case is that in which the laborer assumes the risk, receives all the profit himself, and borrows his capital from the other, agreeing to pay him at a stated rate for the use of it. This is commonly the case in the borrowing and lending of money. If I purchase a shop and stock it with goods, and employ another to keep it for me, paying him the customary wages, I act in the first mentioned manner. If I lend him the money by which he purchases the shop and stock, and he trades on his own risk, paying

me interest on the amount borrowed, I act in the second manner.

It is the latter case that is to be considered in this place. Here the borrower uses the capital of the lender for his own advantage, and that advantage is equal to the difference between simple labor, and labor united with skill. Did he not thus employ this capital, the lender would employ it himself. It is, therefore, just, that he should pay for the advantage which he gains, and of which he, by thus gaining it, deprives the owner.

EXERCISES.

1. Explain the difference between simple labor and labor combined with skill, by an example.

2. Explain, by an example, how capital may enable a man to change simple labor into skilful labor.

3. Illustrate the assertion, that when a man borrows, he does not want money but other capital.

4. Suppose there were no borrowing and lending, what would be the effect upon the industrious and skilful poor?

5. In borrowing, as it has been here explained, which is the greater gainer, the rich or the poor?

6. Explain the assertion, that the rich man

is as justly entitled to remuneration for the use of his capital, as the poor man is for the proceeds of his labor.

SECTION II.

Of various Circumstances which affect the rate of Interest.

We have thus far endeavored to show that a price, that is, interest, should justly be paid for the use of capital. But we find that the interest of capital is different in different countries at the same time, and in the same country at different times; and in the same country, and at the same time, it is different in different kinds of investment.

To the circumstances which give rise to these differences let us now attend.

I. The rate of interest will be affected by the productiveness of capital.

When a capitalist, by the use of his own capital, can readily make ten per cent. per annum, he will, of course, charge a higher interest upon it than when he can scarcely make five per cent. per annum. And, it is evident, on the other hand, that the borrower

will be willing to pay a higher interest in the former than in the latter case, because he will be able to make a higher profit by the use of it. Hence, when land is both cheap and productive, interest will be high, because the investment of capital and labor in land and cultivation will be exceedingly profitable. The same reason operates in other cases. If manufacturing business be very profitable, and there be a scarcity of capital, men will be willing to pay a large sum for the use of it, because, after paying high interest, they will still be able to realize a handsome profit. And, thus, in general, when capital is very productive, interest will be high, and when it is unproductive, interest will be low.

This, however, will, as in any other case, be affected by the ratio between supply and demand. Since men can accumulate almost nothing without the use of capital, they will pay for capital any sum that may be necessary, provided it will, after all, leave a profit sufficient to compensate them for their labor. Hence, whether the productiveness of capital be great or small, supply will always affect the rate of interest. When the supply is small, there will be a competition among the borrowers, and the lender will receive the largest possible share of the profits, that is, interest will be high. When capital is abun-

dant, there will be a competition among the lenders; interest will fall, that is, the lender will receive the smallest share of the profits.

Both of these causes tend to produce the high rate of interest so commonly observed in new countries. Land is cheap. It is in its highest state of fertility. All labor bears a very high price, for the results of labor are imperatively demanded. And, at the same time, capital is scarce, while the demand for it is incessant. As a country grows older, these circumstances change, and the interest of money gradually falls.

II. Secondly, another circumstance affecting the rate of interest is the *risk* of the investment.

In what has been already said, we have considered nothing but the value of *the use* to which capital may be applied. We have thus far supposed that the property, or its equivalent in value, will, *without doubt*, be returned to the owner. This, unfortunately, however, is not always the case. When a man parts with his property and places it in the power of another, there is, at least, a chance that he shall never see it again. Now, this risk should justly be added to the price which is paid for the use of capital. Thus, suppose that the fair compensation for the use of capital in one case were five per

cent., on the supposition that it was perfectly sure; if, in another case, there were a risk equal to two in a hundred of its being totally lost, this two per cent. for the risk should be added to the five per cent. for use, and the interest of the latter loan would be justly seven per cent. If with the same price for use, the risk were ten in a hundred, the interest would be justly fifteen per cent., and so in any other case.

This risk may depend upon several circumstances, as for instance:—

1. *The nature of the investment.* The risk of loss would be less on money loaned for the erection of a stone than of a wooden house, and less on that loaned for the erection of a house, than for carrying on the manufacture of gunpowder. When the whole security rests upon the capital purchased, it is manifest that the risk would, therefore, depend greatly on the nature of the material, and the casualties to which it was subjected.

2. *The character of the borrower.* Men differ greatly in intellectual and moral character. Some, with honest intentions, fail from want of skill. Others, with sufficient skill, fail from want of honest intentions. Just in proportion to the deficiency in either of these respects, is the risk in-

creased. Every one must see that he would be better off to lend to a skilful and honest man at five per cent., than to a weak or tricky man at ten per cent.

3. The risk depends again upon *the character of the government.* When a government has gained the character of stability; and when justice is administered with promptitude and impartiality, so that every man knows that the whole power of society will be exerted for the purpose of enforcing his rights, the risk will be, by all these circumstances, diminished. When it is otherwise, and when a man knows that the justice of a cause gives no assurance of success, the risk is increased, and interest will, of course, rise. This is one of the causes of the high rate of interest during the period of baronial oppression in Europe.

Hence, in general, we see that at the same time and place, the cost of the use of capital being the same, the interest of different investments will vary on account of the difference of risk which they may involve. The greater the risk, the higher will be the interest, and *vice versa.*

III. Thirdly, interest will vary according to the *convenience or inconvenience of the investment.*

When a man lends his money, he does not

know how soon he may want it again, or how long he may wish to continue it in its present mode of investment. He, also, who loans money, always desires the interest to be paid punctually, because, it is by means of this punctuality, alone, that he is able to make his arrangements for the payment of his own debts. Now, all these circumstances are taken into account by him who has money to lend. He will lend at a lower rate when he can let his property remain loaned as long as he pleases, and recall it when he will, and when the interest is paid punctually, than when he is unable to recall it except at a stated time, and may have it returned to him when it is not convenient; and when he cannot rely with certainty upon the punctual payment of the interest.

These several circumstances, as every one must see, enter justly into every transaction in which money is loaned. The *first* is the difference which arises, at different times, from the *productiveness* of capital. This varies continually with the fluctuations in the success of business, and many other causes. *Secondly*, the rate of interest varies with the risk of the investment, this risk being liable to every degree of variation. And, *thirdly*, it varies with the convenience or inconvenience of the investment. And all

these may be either united favorably in one instance, and unfavorably in another.

Hence, we see the impolicy and injustice of establishing a legal rate of interest, to which all loans shall be subjected. It is rendering, by law, a mode of contract *uniform*, which combines within itself more elements of *variation*, than almost any other that can be named.

It may be useful, in closing this section, to add a few words respecting the nature of stocks, of which we hear so much in conversation, and see so much in the daily papers.

Suppose a bank is to be established, a railroad, or any other public work to be constructed. The sum which is to be invested is divided into portions, or *shares*, of a given amount, say, for instance, of a hundred dollars each. Whoever wishes to engage in the undertaking, subscribes for as many of these shares as he pleases. When he pays the amount at which the share is valued, he receives a certificate of ownership, which entitles him to all the privileges of a stockholder, the principal one of which is, that he is entitled to his portion of whatever profit may arise from the operation. These shares are called *stocks*, and are transferable at any moment, the holder, whoever he may

be, receiving the interest, or as it is called the *dividend*, at the regular times of payment.

The price of stocks rises and falls with the rate of interest which the undertaking pays. If any stock purchased at one hundred dollars a share, pays the regular rate of interest, it will sell for a hundred dollars, and then it is said to be *at par*. If it pay twice the regular rate of interest, and is perfectly safe, it will sell for two hundred dollars a share, and is then said to be 100 *per cent. above par*. If it pay but half the regular rate, it will sell for but fifty dollars a share, and is said to be 50 per cent. *below par*. And so with any other instance.

Stocks, like any other investment, vary in price with the degree of risk to which they are subjected. If a stock pay a high dividend, but yet is liable to be entirely consumed by casualties, it will sell for less than another bearing lower interest, but, of which, the principal is secure. Thus insurance and steam-boat stocks, though they pay large dividends, never bring a correspondent price, because of the losses to which they are unavoidably exposed. On the contrary, though an investment at present pays but little, yet is expected at some future time to be very valuable, it will bring a high price on ac-

count of the anticipations which are formed concerning it. It is by such circumstances that the rise and fall of stocks is determined. They are constantly for sale in large cities, and their prices will rise and fall with the hopes and fears, the anticipations and apprehensions, of the buyers and sellers.

EXERCISES.

1. Why should the interest of money be higher in the Western States than in New England?

2. Why should the interest of money be higher in the United States than in Europe?

3. Give, for this difference, all the reasons which occur to you.

4. Is it probable that interest will be higher or lower in this country fifty years hence than at present? Why?

5. The Athenians are said to have charged five times as high interest on property loaned for the purposes of foreign commerce, as for that used on land. What was the reason for this difference?

6. Does a good man, in borrowing money, derive any benefit from his character? If any, what is it, and why?

7. Of what benefit to a borrower is the

establishment of an upright and just judiciary?

8. What is the effect which revolutions and civil commotions have upon the interest of money?

9. Who suffers most from such commotions, the rich or the poor, the industrious or the idle?

10. Why can governments, in general, borrow money at a lower rate of interest than individuals?

11. Why is a man willing to invest his money in a bank, for less interest than he would receive, if he loaned it to a private individual?

12. Why is money borrowed on mortgage at a lower rate than on a promissory note?

13. Suppose any particular stock is sold for 25 per cent. below par. To what circumstances may this depreciation be owing?

14. A stock may at present pay a very small interest, and yet be above par. To what might this be owing?

15. Suppose you had five hundred dollars which you wished to invest in some stock. By what circumstances would you be guided in your choice?

16. Are stocks which pay the greatest interest generally the most desirable? Why, or why not?

CHAPTER III.

OF THE PRICE OF LAND, OR RENT.

We have remarked in the preceding section that stocks, or any other investments, will bring a price in the market in proportion to the annual interest which may be derived from them. A stock, let it have cost what it may, which produces six dollars a year, if six per cent. be the regular rate of interest, pays the interest of a hundred dollars, and it will sell for a hundred dollars. If it yield twelve dollars, it will sell for two hundred dollars, and so in any other proportion.

Now the same remark applies to the rent of land. If an acre of land, after paying the ordinary expenditure for tillage and carrying the produce to market, will yield six dollars profit, it will sell for a hundred dollars, supposing the rate of interest to be at six per cent. If the profit that may be derived from it be more, it will sell for more; if less, it will sell for less. And the same principle applies to land, whether it be used for tillage, or for dwelling-houses.

Such is the general principle on which the rent of land depends. It is, however, to be remembered, that the productiveness of land depends upon two circumstances, Fertility and Situation.

1. *Fertility.* Every one knows that there exists great difference in the fertility of land. With the same cultivation, an acre in some situations will yield twice or three times as large a harvest as an acre in other situations. Some lands require annual manuring, others never need be manured at all. Now, inasmuch as from an acre in the one place, you can derive three times as much income as from an acre in the other, it is reasonable to suppose that the former would sell for three times as much as the latter.

2. *Situation.* The products of land, however, are bulky, and it costs a very considerable portion of their exchangeable value to transport them to the market. They are also rarely consumed at the place where they are produced. But, when wheat is offered for sale at the market, it all brings a price according to its goodness, and not according to the distance from which it has been transported. Hence, the price of transportation is always to be deducted from the farmer's profit, and tends, by so much, to reduce the value of his land. Thus, suppose one farm,

in the immediate vicinity of the market, produced but twenty bushels to the acre, and another at two hundred miles distant produced forty bushels; if one half the price of the product of the latter must be spent in transportation, they would both be of equal value, inasmuch as the advantage of greater fertility is counterbalanced by the disadvantage of situation.

It is on this account that rail-roads, canals, and other means of internal improvement confer so great a benefit upon a country. They remove the disadvantages of situation, by reducing the cost of transportation. Hence, we see that the price of products immediately rises in the districts through which they pass, and the value of land is, in a correspondent degree, increased. And, while the inhabitants of the interior are in this manner enriched, inasmuch as a larger amount of products is thus brought to the market, the price to the community is reduced, and thus, a benefit to a part is a benefit to the whole.

Bearing these principles in mind, it will be easy to perceive in what manner rents will be adjusted in any given country. When a territory is at first settled, the land may be had for nothing. Every one being at liberty to choose for himself, the most productive lands, that is, the most fertile and those most favor-

ably situated, will be at first selected. These will bear no price and will yield no rent, because they may be had for nothing.

When, however, these are all occupied, and others are needed, the land of the next inferior fertility will be put under tillage. As soon as this is done, the first class of lands will yield rent, and will command a price. Suppose lands of the first class to have produced fifty bushels to the acre, and lands of the second class but forty bushels. It will be as cheap for the settler to hire a farm of the first class, at a rent of ten bushels to the acre, as to have a farm of forty bushels to the acre for nothing. When the lands of the second class are all occupied, those of the third class will come into request; and as soon as these are tilled, those of the second class will also command a price, and will produce a rent. At the same time, the price and the rent of lands of the first class will be doubled. In this manner, the rise of price and of rent, in lands of various grades of fertility, will go on increasing, until all the land worthy of cultivation is occupied.

As the common market for agricultural products is on the sea-coast, it might be supposed that the price of land would gradually diminish, as you remove into the interior, until its disadvantages of situation reduced its

value to nothing. This would be the case were it not for various counteracting circumstances. Among these are the following:—

1. The fertility of land commonly increases as we retire from the coast. This fertility counterbalances the disadvantages of situation.

2. As a country advances in civilization, its means of internal communication improve, and the inconvenience of situation is more and more removed.

3. As a country becomes settled, towns and cities grow up in the interior, and thus bring a market to the farmer. He is as much benefited by the bringing of the market *to him*, as he would be by the removal of his land to the market.

4. Sometimes a new invention in the arts transforms at once the conditions on which the progress of a country depend. Such was the result of the introduction of steam navigation on the waters of the Mississippi and its tributary streams. This invention opened this whole valley to the Atlantic, and gave to the towns on the banks of the river, almost the advantages of a position on the sea-coast.

Besides these general circumstances, on which the price of land depends, some others may be mentioned which are well wor-

thy of notice. Man is endowed with a love for the beautiful, as well as with an intellectual and moral nature, and he very commonly takes these tastes into account in choosing for himself a place of abode. Hence, land which is handsomely laid out, and tastefully arranged, whether in a village or in the country, will sell for a higher price than that which possesses none of these recommendations. A farm or a dwelling-house, in a well-cultivated neighborhood, where the people are virtuous and benevolent, will find more purchasers, and, of course, will sell for a higher price, than one of equal fertility where the inhabitants are ignorant and vicious, quarrelsome and malicious. Hence, we see that were men to consult nothing but their own interests, they might, very reasonably, devote more care than they commonly do, to embellishing their grounds and supplying themselves and their families with the means of intellectual and moral improvement.

Land, however, is not always used for the purposes of agriculture. It is used in cities and towns, merely to afford space for the erection of store-houses and dwellings. In this case, of course, its fertility is of no consequence, and its only value depends upon its situation. Hence, its price will be

determined merely by this circumstance. Those portions which afford the greatest facilities for business, will command the highest rent; and those which recede from them will command a lower and lower rent, until they have receded so far from the centre of business, that the land is only valuable for dwelling-houses. The value of these again gradually diminishes, until situation is but a small part of the price, and the land may profitably be devoted to gardening. Here the element of fertility again enters into the computation. The land immediately around a large city is thus, commonly, occupied by those who supply the market with recent vegetables and milk. At a small distance further, it is devoted to the general purposes of agriculture, and becomes what may be properly denominated the country.

Having thus considered the general principles upon which the distribution of the profits of any undertaking is effected, we shall close this section by an example illustrating the manner in which these principles operate in an individual instance.

We will take, for the sake of this illustration, a loaf of bread. A farmer in the western part of the State of New York, devotes his land to the raising of wheat. He tills his land, raises his crop and sells it to the

miller. The price which he receives for his crop, repays him for the cost of his own labor, the wages and support of his workmen, the cost of manures, the rent of his land, and interest on all the capital which has been invested. If he own the land, he receives the rent himself; if he hire it, he pays it to the landlord. The miller receives the grain, manufactures it into flour, transports it to New York, and sells it to the flour merchant. The sum for which he sells it, repays him whatever he had paid the farmer, and remunerates him for the cost of making the flour. This must be sufficient to enable him to pay his various workmen, to remunerate him for his own labor and skill, the use of his capital, the wear and tear of his mill, and the cost of transportation to New York. What he has paid the transportation agent must be sufficient to remunerate him for the use of his canal boats, the men and horses that have been employed in navigating them, the expense of tolls, and the interest on all the capital which is employed in the operation. The flour merchant buys the flour, and keeps it in his store-house, to supply his customers. He is entitled to a sum sufficient to repay him for what he paid the miller, and also to interest on his investment, to remuneration for his labor and skill,

and the cost of store room. The baker purchases the flour of the flour merchant, and makes it into bread. He charges for his bread sufficient to repay him for what he paid the flour merchant, and for all his labor and expense in turning the flour into bread. Thus, when we purchase a loaf of bread, we pay our proportion of all these several expenses. And these several amounts, in all these instances, are distributed according to the rules which we have laid down. All the labor which has been employed, is paid according to its value and skill; and all the capital, according to the use and risk to which it had been subjected. The various items of cost, in the production of any article of use, may be easily analyzed in a similar manner.

EXERCISES.

1. Suppose you were about to purchase land in some of our new States, by what circumstances would your choice be directed?

2. If the *situation* be good, can the want of fertility be remedied? How?

3. If the land be fertile, can the disadvantage of *situation* be obviated? How?

4. Has the disadvantage of situation, in

any manner, been obviated in this country and in Europe? How?

5. In what country in Europe have these improvements been carried forward most successfully?

6. Who gave the first impulse to internal improvement in this country?

7. What was the first great work of this kind executed in this country?

8. What has been the effect of this work upon the country through which it passes?

9. What has been its effect upon the city with which it has opened so extensive communications?

10. Explain the principle on which rents and the price of land rise, upon the settlement of a new country.

11. Explain the manner in which steam has benefited the Western States.

12. The rise of land at the West has not been accompanied by a correspondent rise in the price of lands in the older States, but rather the reverse. Can you explain the reason of this?

13. Would it be profitable or unprofitable for the inhabitants of a village to plant the streets with trees, and render the whole appearance of the place neat and inviting? Why?

14. Suppose a farmer were to spend

twenty dollars a year simply in adding to the beauty of his farm, would this be a wise or an unwise expenditure of money?

15. Is it good or bad economy for the inhabitants of a town to provide themselves with good schools, a good town library, and the best means of mental cultivation? Explain the reasons of your opinion.

16. Is it wise or unwise for the inhabitants of a town to provide themselves with the best means of moral instruction? Explain the effect of this upon the price of land.

17. Why does land in the centre of a city or village, sell for a higher price than land in the suburbs?

18. Explain the various processes of distribution which occur in the production of a yard of calico.

19. Explain the same in the production of a pair of shoes.

PART IV.

OF CONSUMPTION.

CHAPTER I.

OF THE NATURE AND DESIGN OF CONSUMPTION.

We have thus far endeavored to show in what manner the various objects for the gratification of desire are *produced*, in what manner they are *exchanged* among the producers, and in what manner the share to which each one of the producers is entitled, is *distributed* to each of them.

But we know that all this is done with reference to another object. Every thing that is of any value is designed to be used, and after it is thoroughly used, or, in familiar language, *used up*, it is worthless. All these previous operations only prepare the way for *consumption*, and it is consumption that

creates the necessity for their being incessantly repeated.

Consumption is the reverse of production. Production is the act by which we *confer* value. Consumption is the act by which we *destroy* the value which has been thus conferred. When we speak of the destruction of value, we do not mean that the material itself is destroyed, but only that the form in which a particular value resided has been changed, and that, hence, that particular kind of value is annihilated. Thus, if a load of wood be burned, its power of creating heat is destroyed forever. If bread be eaten, or thrown into the sea, or burned by accident, or rendered useless by mould, in either case its utility is destroyed, and we say the bread is consumed. And thus we see that it makes no difference, as to the *fact* of consumption, whether any benefit be *derived* from it or not. In the one case as well as in the other, the utility is destroyed.

It seems to be a law of our being, that we cannot create one value without destroying another. He who chops down a tree and saws it into boards, destroys forever the value of the tree as a tree. It can never more give shade to the traveller, nor gratify the taste of the tourist. He who butchers an ox for beef, destroys forever the utility of the animal as

a beast of draught. If we eat an apple, we annihilate forever the quality in the apple of giving pleasure to any other being. And, thus, in general, consumption is a sort of exchange, in which we surrender one value for the sake either of creating another value, or else, for the sake of gratifying some desire, which we consider of more importance than the existence of the value which we annihilate.

1. Consumption is either of *labor* or of *capital*. If I purchase five dollars' worth of mahogany, and pay a mechanic ten dollars for his *labor* in making it into a table, I have consumed five dollars' worth of capital and ten dollars' worth of labor. If I have made it myself, instead of employing another, I have consumed the same amount of value in my own labor. And, inasmuch as it costs just as much to support a human being whether he labor or whether he remain idle, the spending a day in idleness should always be considered as the consumption of a day's labor. In estimating the benefit of holidays, we should always remember that the time which they occupy, is the consumption of so much labor. And the profitableness of the consumption is to be estimated by the benefit of the result which is attained.

2. Consumption is either *partial* or *total*.

Sometimes, after one value has been consumed, another and an important value remains. A pair of India-rubber shoes may be worn out and be useless as shoes, and yet they may be valuable for the manufacture of India-rubber cloth. A linen garment may be worn out, and its utility as a garment may have been annihilated, and yet it may possess an important value to the paper maker. On the other hand, when we eat a piece of bread, as it has but one value, and that value is destroyed, the consumption is total. When we burn gunpowder in fireworks, and, commonly, when we use property to gratify our appetites, the case is the same. Hence, we see the importance of consuming every value of every kind, which a substance possesses; and also of consuming nothing for the purposes of gratification, unless for a reasonable and adequate cause.

3. Consumption is either *voluntary* or *involuntary*. It is voluntary, when we destroy value by design, for the purpose of accomplishing some ulterior result. It is involuntary, when it takes place by accident. A pile of wood may be burned in a fire-place for the purpose of warming a parlor, or, on the other hand, it may be set on fire by accident and totally consumed. In the one case, as

in the other, the value is destroyed, the only difference is in the result.

Besides, however, the consumption by accident, a continual consumption is going on by the ordinary agents of nature. If a pile of wood is suffered to remain for a long time exposed to the changes of the weather, it will be rendered utterly worthless. Its value is thus as entirely destroyed as it would have been by fire. If a loaf of bread become mouldy through neglect, its value is as thoroughly consumed as if it had fallen into the fire the moment after it had been baked. Vegetable matter decays, animal matter putrifies. The metals are corroded. And thus consumption is continually going on, by which the values which we create will be destroyed, unless we watch over them with perpetual vigilance. Childish, imbecile carelessness is enough to render any man poor, without the aid of a single positive vice.

4. Consumption is either *rapid* or *gradual*. The consumption of wood for fuel is rapid. The consumption of the axe with which we chop it, or of the fire-place in which we burn it, is gradual. But the one is going on as certainly as the other, and hence, in estimating his expenses, if a man wish to estimate them correctly, the

one must be taken into the account as well as the other. If a man build a house and occupy it for ten years, the gradual consumption has materially diminished its value. If, now, at the close of this period, he estimate the value of the house at its original cost, he will greatly overrate his property. The same is true of furniture, and of every thing else which we use.

It need scarcely be remarked, that the annual consumption of an individual is the total amount of values which he consumes, whether in his business or in his family. Unless his annual production be sufficient to replace the whole of his annual consumption, he will run in debt. By as much as his annual production exceeds his annual consumption, he will be growing richer. Hence, the object of every thrifty man is to render this excess as great as possible.

II. Of the Design of Consumption.

The design of consumption is easily seen. Inasmuch as consumption is the destruction of some value, it is of the nature of an infelicity. We never therefore consume, but with the expectation of procuring some greater good than that which we annihilate. This good may be of two kinds. First, we consume one value for the sake of procuring another and better value; or secondly, we

consume a value for the sake of gratifying some appetite or desire, that is, for the sake of increasing our own personal happiness.

1. *Consumption for the sake of the increase of value.* In this manner the farmer consumes seed, manures, labor and tools, that he may thus be enabled to produce a harvest. The manufacturer consumes raw cotton, labor, machinery, &c., in order to produce cloth. The mantua-maker consumes calico, thread, needles and labor, in order to produce a new dress. And thus in all the various occupations of men, materials of every kind and labor are consumed for the sake of creating some article of use, or convenience, or luxury.

2. Consumption for the sake of the *gratification of desire.* Some of our desires have respect to our life, and health, and comfort. Such are the desire for food, clothing, shelter, and the various conveniences by which the heat of summer and the cold of winter may be modified. Others are merely for the gratification of the senses, without any regard to the benefit which we derive beyond that of simple sensual pleasure. Such are the desires for the luxuries of the table, of dress, equipage, and for those modes of living which are demanded by fashion. Some of our desires are gratified by in-

tellectual pleasures, and others by the pleasure of doing good. It is not necessary that I should enumerate all the various modes of expenditure. In general, they consume the value which they appropriate, and all that remains is the gratification which they produce.

Of these two modes of expenditure it may be remarked, that they are generally inconsistent with each other. The consumption for the sake of reproduction is not commonly attended with any pleasure. Its reward is profit, or the means for obtaining pleasure in some other way. On the contrary, consumption for the sake of gratification is commonly (not, however, always) a total loss. It yields no profit, and, if successful, its only product is pleasure. He who employs a hundred dollars in a profitable business may double it in the course of the year, and it may soon be able to yield him a hundred dollars annually. He who spends the hundred dollars in a feast, or in a journey of pleasure, annihilates that value forever, and he can never enjoy it again. Hence, whenever we are in doubt concerning the manner in which it would be wise to appropriate our money, it may be well to take the results of these different modes of expenditure into serious consideration. And, hence, we see the

reason why diligence, frugality and self-denial in youth, will inevitably lead to fortune; while habits of sensual gratification are the sure precursors of bankruptcy and contempt. It needs no prophet to foretel the destiny of a young man, who commences life with entering upon a round of fashionable dissipation.

EXERCISES.

1. Give various instances of consumption. Give an account of your own personal consumption for a single day.

2. Can you give any instance in which we produce without consuming either labor or capital?

3. What practical lesson should we draw from this law?

4. Is there any difference, in political economy, between consuming a dollar's worth of time and a dollar's worth of capital?

5. Can a man be wasteful, then, who is actually doing nothing?

6. Is there much of this wastefulness in the world?

7. Is a rag carpet economical? Why?

8. Why is carelessness so fatal to a man's success in business?

9. Did you ever know a careless man who

was not strangely unfortunate, or as it is called, unlucky?

10. Did you ever observe that a man who is always putting off the business of to-day until to-morrow, is commonly unlucky and poor? Why is this?

11. Give illustrations from your own observation, of consumption for the sake of reproduction.

12. Give illustrations from your own practice, of consumption for the gratification of desire.

13. How many of these are wise, and how many unwise?

14. What would be the difference, at the end of ten years, between the two young men, A. and B.? A. spends a hundred dollars a year in journeys, theatres, amusements, &c., and B. invests the same sum in his business in such a manner that the principal and interest of each year yield him 15 per cent. for the next year.

CHAPTER II.

OF THE DIFFERENT KINDS OF CONSUMPTION.

CONSUMPTION is of two kinds, *Individual* and *National.* Individual consumption is of two kinds: First, for the sake of *reproduction*, and, secondly, for personal *gratification.* This chapter will, therefore, be divided into three sections, in which these three subjects will be considered.

SECTION I.

Of Individual Consumption for the sake of Reproduction.

The design of the consumer in this case is the reproduction of capital, in some form different from that in which the capital is consumed. He would gladly produce without consumption, were it possible. But to do so is contrary to the law of his being. Consumption is necessary; but if a man be wise, he will consume as *little* as possible.

Production is his remuneration, and, if he be wise, he will render this as *great* as possible. His whole gain is the amount by which his production exceeds his consumption. The greater this excess, the greater will be his profit. The rule by which he should, therefore, be governed, is *to create as large a product as possible, by the consumption of as small a value as possible.*

The consumption of a producer is of two kinds, of Capital and of Labor.

Of *Consumption of Capital.*

The principles which should govern us here, are, I suppose, the following.

1. The consumption of capital should be as *small* in amount as is consistent with the creation of the desired product. A shoe-maker, who habitually cuts up a side of leather so carelessly that leather sufficient for one pair of shoes is wasted, will never grow rich. The farmer who sows two bushels of seed when one would have answered as well, loses the half of his seed. In China, sowing is always done by drilling instead of broad cast. It has been computed, that, by this method, as much grain is saved as would feed the whole population of Great Britain. The useless expenditure of fuel in our own country is enormous. It is supposed, and with good reason, that not more than one tenth of

the heat of the fuel employed, is rendered available in a common fire-place.

2. Capital of no *greater value than is necessary* should be employed to create the desired product. Thus, it is for the interest of every producer to ascertain in what manner he may be able to accomplish his purpose, by the consumption of the least valuable materials. The merchant inquires, before he imports a product from a foreign country, with what export he can procure it at the cheapest rate. So, the manufacturer, if he be wise, will keep himself informed of the progress of science and of the arts, that he may learn in what manner a cheaper article may be substituted for a dearer in the creation of his product. A fortune has frequently been realized by the discovery of a cheaper dye stuff, or the substitution of a single cheaper material, in the place of that ordinarily in use.

3. *Every utility* possessed by the material consumed, should be rendered *in the best manner available.* Thus in an oil mill, the flax-seed from which linseed oil has been expressed, is a valuable food for cattle. After the brewer has extracted the saccharine matter from barley, the grains, as they are called, are valuable for the same purpose. The tan bark, after the tanning matter has been extracted, is valuable for fuel. This economy

of materials is very well illustrated in the manufacture of combs. In a well-conducted establishment of this kind, every part of the horn, the core, the body, the tip, the shavings, the fat and the mucilage, are all turned to some available purpose.

Nor is this all. The values which are consumed should be *consumed to the very last.* Thus, in the working of a steam engine, it is necessary to evolve a great amount of caloric, and this is the most expensive part of the process. Now, economy demands that this caloric should be produced at the least possible expense, and that having been produced, it should be used for every purpose that it can be made to serve. But every one must have perceived, by the flame which escapes from the chimney of a furnace, that a very large portion of the caloric evolved is absolutely wasted. A very great economical improvement has of late been made, in some of the iron works in Great Britain. This caloric, which was formerly wasted, is used to heat the air which is blown into the furnace. By this expedient, a very great saving of fuel is accomplished. I observed the same plan adopted on board the Novelty, one of the North River steam-boats during the last summer. It was done at the suggestion of Dr. Nott, with whom, in fact, I believe the idea at first originated.

best possible condition. This saves time, and takes away one of the most common excuses for negligence.

The importance of attention to these principles is obvious. Products, of the same degree of goodness, generally sell in the market for the same price. No man can expect to receive a higher price than his neighbor, for goods of the same quality. The only method, in which he can expect to conduct his business more profitably than his neighbor, is to be able to manufacture these goods at a *less cost.* If two manufacturers both sell cloth at twelve and a half cents a yard, and the one, by a superior economy of labor and capital, is able to produce the cloth at a cent a yard cheaper than the other, he will receive a cent a yard higher profit. This, in a few years, would make a very considerable difference in the wealth of the two individuals. The principle is the same in any other business. Wealth is not acquired, as many persons suppose, by fortunate speculations and splendid enterprises, but by the daily practice of industry, frugality and economy. He who relies upon these means, will rarely be found destitute, and he who relies upon any other, will generally become bankrupt.

EXERCISES.

1. Give illustrations of the rule, that we should create as large a product as possible, by means of as small a consumption as possible, from the case of a farmer, a mechanic and a manufacturer.

2. Give illustrations, from your own observation, of waste and of economy of material.

3. Can you give any instance in the arts, in which an article has been reduced in price, by the substitution of cheaper materials in the manufacture of it?

4. It is said that oil of an excellent quality can be made from cotton seed. What would be the effect of thus using the seed, upon the cotton grower and the consumer?

5. Give illustrations of good and bad economy in the use of the secondary values of substances.

6. Have you ever observed the effect of having too many laborers employed in a piece of work? Explain it.

7. Have you ever observed the effect of having too few laborers? Explain this effect.

8. Suppose the best workman in a cotton manufactory were employed in carrying spools from one part of the establishment to

the other, what effect would it have on the price of the cloth?

9. What is meant by the old proverb, the eye of the master makes the horse fat?

10. Illustrate the advantage of good tools, in any department of industry.

11. In what manner do you expect to grow rich?

SECTION II.

Of Individual Consumption for the sake of personal Gratification.

The object of consumption, in this case, is not reproduction, but simply the gratification of our desires. But every man, whether he be poor or rich, has desires which he is constantly seeking to gratify; and, in the gratification of which, property is consumed. Hence, economy should be studied by the rich as well as by the poor. Its object is, if a given gratification is to be obtained, to teach us in what manner it may be obtained at the least possible expense.

The principles to be borne in mind here, are substantially the same as those which have been already explained. It may, how-

ever, be proper to remark, that in the suggestions which follow, it is taken for granted that a man means to live honestly, that is, that he expects to live within his income, or to live on his own property, and not on the property of his neighbors. It is also taken for granted, that he knows how much are the profits of his business, and how much he may honestly devote to the expenditures of himself and his family. These being taken for granted, the business of economy is to offer such suggestions as may enable him, from this expenditure, to derive the greatest possible convenience.

To those who think this subject worthy of attention, the following principles may be of service.

1. The consumption of values should always be as small as may be consistent with the accomplishment of our purpose. Under this head we may remark—

1. *Nothing should ever be purchased* which *is not wanted.* As our object is to gratify our desires, why should we purchase what we do not desire? It matters not how pretty it may be, or how cheap it may be, or how great a bargain it may be; if *we do not want it*, it is better for us to leave the bargain for somebody else. Very few things are generally, in the end, dearer than great bargains.

2. We should never *purchase more of a thing than is wanted.* This excess is generally useless, and is, therefore, so much absolutely wasted. Nor is this all; too great an abundance generally leads to thoughtless and improvident consumption. And, on the other hand, too great parsimony commonly defeats itself. He who spoils a garment by purchasing a quarter of a yard of cloth less than is necessary, is surely as unwise, as he who, thoughtlessly, purchases a quarter of a yard too much.

3. The consumption of the values purchased, should *be as perfect as possible.* When the utility has been consumed, another may remain, which is yet of considerable value. In this manner, much expenditure may be saved. But, besides this, a vast amount of values is annually lost simply by negligence. Cloths are eaten by moths, bread is wasted by mould, animal food putrifies, fuel is consumed for no possible object, and thus in many families, of all the values purchased, probably not more than one half the utility is really consumed in such a manner as to render a single living thing in any respect the happier.

In order to accomplish this result, it is of importance that the utensils of a family establishment should be as perfect as possible.

This enables us to secure the benefit of every value, at the least possible expenditure, both of material and of labor. A good fire-place is an indispensable requisite to sound economy in a cold climate, and it is, unfortunately, a utensil with which very few families are provided.

The principles which regard the economy of labor are very similar to those which have been already explained. It need only be remarked, that, in conducting the affairs of a family, as of any other establishment, we should employ *all the labor necessary; no more* than is necessary, and *precisely of the kind* which is best adapted to accomplish our purposes.

In regard to the expenditures of a household, both of capital and labor, it deserves specially to be remarked, that almost every thing depends upon the personal supervision of the individual on whom the management devolves. This is, generally, the mistress of the family. It is her province to see that nothing is wasted, that every thing is appropriated to its proper use, and that the labor which is purchased, be faithfully performed. It becomes her to know how every thing should be done, and also to be able to do it. Unless she be interested in her own affairs, she can expect no one else to be interested

in them. If, in thoughtless, childish indolence, she disengage herself from personal responsibility, her house will be a scene of confusion and discomfort, and the abode of shameful and ruinous waste. The result may be easily foreseen. No income will sustain unlimited expenditure. The stern hand of the law will dissipate the delusion, interrupt this childish dream, and consign such grown-up children to the school of poverty, there to be taught the lesson of economy.

EXERCISES.

1. Why should a rich man be economical?
2. Can a poor man ever become rich without it?
3. Did you ever buy any thing simply because it was *cheap?* Do you remember what became of your bargain?
4. Is it best to buy at wholesale or retail, for individual expenses? Why?
5. Can you give examples of common waste of property from negligence?
6. Do you not waste much in this manner yourself?
7. What are the inconveniences of employing too many persons to do the labor of a family?
8. What are the duties of the mistress of a family?

9. What are the consequences of her neglecting them?

SECTION III.

Of Public Consumption.

The business of carrying on a government is expensive. Legislators, judges, jurors, executive officers, must be paid for their services. Public works must be constructed, light-houses erected, and, if a nation engage in war, the expenses of offensive and defensive war must be met. All this requires, annually, a large amount of capital.

The principles of expenditure are, however, the same here as in any other case. If a nation consume capital, that is, expend money, for a worthless object, that money is wasted. If it consume it upon a valuable object, it is profitably expended. The expenditure of money, in every case, whether public or private, is a loss, unless we receive, in return, a consideration as valuable as that with which we parted.

We shall consider, first, the manner in which taxes are collected, and, secondly, the

uses to which they are commonly appropriated.

Taxes are *Direct* or *Indirect.*

When a *direct* tax is levied, there is first an estimate made of the whole value of the property to be taxed, and then a per centage is assessed upon it sufficient to cover the amount which is to be raised. Every man's property being estimated, a tax list is made out, in which the amount of his property and of his proportion of the tax is set opposite to his name. This tax list is placed in the hands of the proper officer, who collects the sum due from every individual, and pays it over to the government. This method of taxation possesses several advantages. Every one pays in proportion to his property, and not according to his consumption. Every one knows how much tax he pays, and, of course, will be much more likely to watch over the government, and see that the money which he pays out of his earnings, is wisely and faithfully appropriated.

An *indirect* tax is a tax or duty levied, not on individuals, but on commodities entering the country. In this mode of taxation, every vessel arriving from a foreign port, is immediately taken possession of by a government officer, and no article, on which a duty is required by law to be paid, can be removed

until the tax has either been paid, or else a bond given that it shall be paid at a certain time. Thus, for every yard of broadcloth, of cotton goods, for every pound of iron or steel, of coal or tallow, of hemp, or cordage, or wool, which comes to this country, we have to pay a very heavy duty, amounting to a very large per centage upon its whole cost. These sums are collected in the different ports of the United States, and are paid by the officers into the general treasury.

The objections to this mode of taxation are, that the people in general are very ignorant of its amount. Very few persons, when they buy a knife, or a plough, or a scythe, or a coat, are aware, that a very large per centage of the cost of these articles has been paid in taxes to the government, and that the price of each has been greatly raised by this heavy tax. As people do not perceive these things, they are liable to become more careless in respect to the expenditure of the government, and their earnings are liable to be spent in a very reckless manner by the public servants.

Besides, as the tax is not laid upon the individual, but upon commodities, no one need pay it unless he use the commodities. Hence, if a man worth half a million, use no more of the taxed articles than a beggar, he will

pay no more of the tax. It is, therefore, liable to fall unequally; that is, the rich are liable to escape, in this manner, from paying their portion of the public burdens.

Now this, I suppose to be at variance with the proper principles of taxation, which demand that every one should pay for the protection of government, in proportion to the amount for which he requires protection. And, if there be any deviation from this principle, it should be in *favor* of the poor, because the rich can pay their taxes without abridging even their luxuries, while the tax of the poor man might sometimes curtail even his necessaries of life.

But, suppose the taxes to have been collected. It remains to be shown, in what manner, and for what purposes they are commonly expended.

It is, however, always to be borne in mind, that the government possesses nothing, it has nothing. The property thus collected, *is the property of the people.* It is their earnings, for which they have toiled and labored. The government is appointed to dispose of it; but, as it is the people's money, the government has no right to expend a dollar of it, but for the people's good.

1. A portion of it is spent in the support of the officers, and in defraying the other

expenses of civil government. This is necessary, in every state, and these expenses should be freely and liberally met. It is for the interest of all, that we should have able judges, civil officers, legislators, &c., and we cannot expect to have valuable services, unless we pay for them what they are worth.

2. It is for the interest of every citizen of a free government, that every other citizen should be familiar with the elements of learning. This may well, therefore, become the care of the government, and every individual may properly be obliged to contribute towards a general system of common school education. The funds collected, may be managed and spent in the districts where they are raised, but they may very properly be raised by a public law.

3. In some countries the expenses of maintaining religious worship are provided by taxation. In this country, however, these expenses are defrayed by voluntary contribution. In some of the States, every individual is obliged to contribute towards the support of some religious teacher; but he is at liberty to contribute towards the support of such an one as he chooses.

4. The public may properly be charged with the expense of many works of national

improvement. Among these may be reckoned the erection and establishment of light-houses, the survey of coasts, the improvement of harbors, the enforcement of quarantine regulations, and some others of this kind. These are very necessary to the prosperity of a nation, and they can be executed and sustained, in no other manner, than by the public authority.

5. The expenses of pauperism. Many persons who become old and decrepit, have no relatives on whom to rely for support. They must perish, unless relieved by charity. But, inasmuch as what is every body's business is nobody's business, they would never be relieved, unless by public provision. In making this provision, however, it is necessary that great discrimination be used to prevent any from receiving assistance, except such as really need it; and, also, that such arrangements be made as shall oblige every pauper to labor for his own support to the utmost of his ability. If these conditions are observed, the public expenditure for paupers will be exceedingly light.

6. Another very large item of national expense, is that required by offensive and defensive war. Whether war be wise or unwise, whether consistent or not with the principles of the gospel, needs not here be

considered. It is sufficient to remark, that, of all the means yet known for destroying property, and scattering by millions the hard earnings of a people, this is, by far the most successful. If, however, it is to be carried on, economy would direct that all the preparations be made for it in the most perfect manner; that arms and ammunition be provided in sufficient quantities to meet any emergency; that fortifications be erected in suitable places, and that a sufficient number of men be trained up to use all these means of destruction in the most destructive manner.

EXERCISES.

1. Explain the assertion that there is no difference in principle between public and private consumption.

2. Suppose a direct tax of five thousand dollars were to be laid upon the town in which you reside, how would it be done?

3. Explain the manner in which a tax on broadcloth, of 50 per cent. on the value, would be collected.

4. What are the advantages and disadvantages of direct and indirect taxation?

5. Why should a rich man pay a greater tax than a poor man?

6. What is meant, when we say that the government possesses nothing?

7. Is it good or bad economy to pay very small salaries to the officers of government? Why?

8. Why should schools be supported by the public?

9. Why should not religion be supported by law?

10. Why should government be charged with the duty of maintaining light-houses?

11. How should the poor be maintained, who are supported by the public?